SRLEV NV

Annual Report 2020

ATHORA

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1 OVERVIEW

1.1 KEY FIGURES

In € millions	2020	2019	2018	2017	2016
Ratios					
Regulatory Solvency II	163%[1]	163%	188%	158%	149%
Profit or loss					
Gross premium income	1,762	1,848	2,102	2,245	1,834
Investment income	1,096	1,240	1,495	1,416	2,761
Investment income/expense for account of policyholders	692	2,067	-387	429	902
Total income (including other income components)	5,224	6,727	3,201	4,164	5,289
Total expenses	5,359	6,333	3,454	4,256	4,953
Result before taxation	**-135**	**394**	**-253**	**-92**	**336**
Tax expense / benefit	-107	64	21	-37	84
Net Result IFRS from continued operations	**-28**	**330**	**-274**	**-55**	**252**
Statement of financial position					
Total assets	**64,021**	**58,064**	**52,432**	**53,498**	**55,005**
Investments	41,176	38,837	36,022	35,927	35,897
Investments for account of policyholders	13,788	13,520	11,989	13,138	14,251
Loans and advances due from banks	589	712	1,562	1,799	960
Total equity	**3,684**	**3,410**	**3,128**	**3,217**	**3,035**
Insurance liabilities	51,341	48,868	45,037	45,509	46,274
Amounts due to banks	4,651	2,715	1,340	1,627	1,330

1 Regulatory Solvency II ratio 2020 is not final until filed with the regulator.

SRLEV and SRLEV NV

In this annual report, we use the name ‘SRLEV NV’ when referring to the company financial statements of SRLEV NV. For the consolidated financial statements of the insurance business as a whole, we use the name ‘SRLEV’.

The SRLEV Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code includes the following chapters: Key Figures (chapter 1.1), Message from the Executive Board (chapter 1.2), Organisation (chapter 2), Strategy and Developments (chapter 3) and Corporate Governance (chapter 4), excluding Report of the Supervisory Board (chapter 4.5).

1.2 MESSAGE FROM THE EXECUTIVE BOARD OF SRLEV NV

Dear stakeholders,

2020 was an eventful year for our company. We welcomed our new shareholder Athora Ltd., executed the sale and we have started implementing a new strategy. Amidst the change of ownership, turbulent economic and COVID-19 environment, we were able to provide an uninterrupted and high-quality service to our customers whilst delivering solid financial results coupled with a stable solvency position.

On the 2nd of April 2020 it was announced that Athora completed its acquisition of VIVAT by acquiring 100% of the shares in VIVAT from Anbang. With the combined capabilities of VIVAT and Athora, we will be best placed to fulfil our customers' needs and to build further upon our strong market position in pensions.

SRLEV improved its Net Underlying Result by further reducing the operating costs and improving the technical result. The impact of COVID-19 on the results has been limited. The solvency position remained stable at 163%. Focus on capital and a strong balance sheet will remain a key priority for the company.

Commercially, it was another successful year for our pension business. Gross premiums remained high at € 1.1 billion, with an all-time high production of € 300 million of immediate annuities, and our PPI doubled its assets under management to above € 1 billion. The retention rate remained high at 84%. The declining individual life market led to lower gross premiums of € 669 million, but the sale of direct annuities —identified as a strategic focus product within our new strategy— increased in the final quarter of the year to € 60 million.

We are making strong progress in implementing the new strategy and are simplifying the operating model and organisational structure, within a single Pension Business, a dedicated Life Service Business and fewer smaller support functions. In addition, we are initiating and accelerating digitalisation initiatives and we will consider outsourcing a number of —non-strategic— activities in the coming years. This enables us to position ourselves as the only fully dedicated large pension provider in the Netherlands using the well-known Zwitserleven brand. Our new strategy will benefit all our existing and future customers.

Also at the core of our strategy is investment management. Because of this importance, the Supervisory Board has decided to search for a Chief Capital & Investment Officer to strengthen the Executive Board, subject to regulatory and works council approval. Combining our knowledge of the Dutch market and leveraging on certain investment capabilities of Athora, we expect to enhance capital generation in the future and be able to offer the best value for money propositions to our customers by long term sustainable investments. To effectively execute our new strategic asset allocation, the full management of the own account investments will be transferred to Athora Netherlands from ACTIAM. SRLEV will safeguard and further enhance its social responsible investing credentials, and continues to embed sustainable insurance and corporate social responsibility practices in the organisation.

The change of ownership of the Non-Life business went smoothly. This would not have been achieved without the hard work of our employees, the joined process with the works council and the constructive cooperation with our business partners.

SRLEV has full confidence that it is well positioned for the future in becoming the number 1 pension provider in the Netherlands.

Amstelveen, the Netherlands, 24 March 2021

On behalf of the Executive Board of SRLEV NV,
Tom Kliphuis, Chief Executive Officer

2 ORGANISATION

2.1 ABOUT SRLEV

SRLEV is a Dutch insurance company that offers a variety of insurances. Through its main brand Zwitserleven, SRLEV provides pensions and life insurance products. Under the brand Reaal, SRLEV offers service for life insurance products sold in the past. SRLEV primarily operates in the Netherlands.

Legal Entity

SRLEV NV is a public limited company with a two-tier board structure consisting of an Executive Board (EB) and a Supervisory Board (SB).

SRLEV NV is a full subsidiary of Athora Netherlands NV. The members of the Executive Board of Athora Netherlands NV are also the members of the Executive Board of SRLEV NV. Certain topics are managed and controlled from a consolidated perspective. To the extent applicable, information in this board report is therefore presented on Athora Netherlands level.

The figure below shows the total structure of Athora Netherlands NV and the position of SRLEV NV in this structure.

SRLEV NV within the structure of Athora Netherlands NV, business lines and brands

2.1.1 Composition of the Executive Board

The Executive Board is responsible for the strategy and management of the company. The Executive Board per 31 December 2020 consisted of the following members:

- R.H. (Tom) Kliphuis – Chief Executive Officer
- Y. (Yinhua) Cao – Chief Financial Officer[1]
- A.P. (Annemarie) Mijer – Chief Risk Officer
- A. (Angelo) Sacca – Chief Strategy & Commercial Officer
- S.A. (Stefan) Spohr – Chief Operating Officer

More information on the Executive Board is stated in Chapter 4: Corporate Governance.

[1] Yinhua Cao will step down as Chief Financial Officer and member of the Executive Board of SRLEV NV, effective on 1 May 2021.

2.1.2 Composition of the Supervisory Board

The Supervisory Board is responsible for overseeing the Executive Board's conduct and general business management. It has an important role in the company's governance, by approving or dismissing significant business-related decisions. As of 31 December 2020 the Supervisory Board consisted of the following members:

- M. W. (Maarten) Dijkshoorn
- M. A. E. (Michele) Bareggi
- F. G. H. (Floris) Deckers
- J. M. A (Hanny) Kemna
- P.P.J.L.M.G. (Pierre) Lefèvre

More information on the Supervisory Board is stated in Chapter 4: Corporate Governance.

2.1.3 Shareholder

SRLEV NV is a wholly owned subsidiary of Athora Netherlands NV. The sole shareholder of Athora Netherlands NV is Athora Netherlands Holding Ltd. Athora Netherlands Holding Ltd. is a full subsidiary of Athora Holding Ltd.

2.2 OUR BRANDS

Zwitserleven

Zwitserleven has become one of the leading pension insurers in the Netherlands. Zwitserleven offers wealth accumulation products 'for later'. Zwitserleven has been awarded repeatedly for having the most sustainable investment policy in the Netherlands.

Reaal

Reaal is known for Life insurance products. Reaal improves the financial resilience of customers by helping them make well-considered choices about their financial situation.

Since 1 April 2020, the property & casualty business of Reaal has been acquired by NN.

2.3 OUR BUSINESS LINES

SRLEV is organised in two business lines: Pension Business and Life Service Business.

Pension Business

The new Pension Business serves three segments of clients: 1) Employers – with a winning pension savings offering (defined benefit, defined contribution and PPI products), 2) Employees – through highly competitive retirement solutions (direct and individual annuities) and 3) Pension funds – by supporting pension buy-outs.

Life Service Business

The Life Service Business manages the inactive Individual Life product portfolio of the Reaal brand. Over time, the scope of the Life Service Business can be expanded with Zwitserleven branded non-selling products, in-active Zwitserleven clients and potential future buy outs.

2.4 OUR PEOPLE

Our employees are key for putting our mission into practice. As a business that serves the financial interests of others, we require a staff that is fully committed to this task. SRLEV is aiming to be a responsible employer by promoting sustainable employability (e.g., vitality, personal development) and sustainable employment relations (e.g., flexibility and diversity). We need to stay a responsible employer in order to continue our strategy and to retain the engagement and commitment of our employees.

In the context of the acquisition process by Athora, SRLEV has considered risks regarding our employees, such as leaving of staff and single points of knowledge, our ability to attract new staff and the commitment of our employees. HR is monitoring these risks closely and will continue monitoring in 2021.

Our Employees in Numbers

At the end of 2020, SRLEV's number of (internal and external) employees is 1,182 (2019: 1,232). SRLEV's employees are employed by Athora Netherlands. The costs of employees appointed to SRLEV are charged to SRLEV by Athora Netherlands. Below, the key figures are presented of Athora Netherlands as a whole.

KEY FIGURES ATHORA NETHERLANDS HUMAN RESOURCES		
	2020	2019
Number of employees	1,971	2,278
- of which internal	1,674	1,904
- of which external[1]	297	374
Number of FTEs	1,931	2,233
- of which internal	1,653	1,885
- of which external	279	348
Ratio male-female	61%/39%	60%/40%
Female managers	25%	25%
Female members of senior management	18%	20%
Average length of service (years)	14.4	13.0
Average age (years)	46	44
Full-time/part-time ratio	74%/26%	74%/26%
Male/female ratio full-time	73%/27%	72%/28%
Male/female ratio part-time	25%/75%	26%/74%
Ratio permanent/temporary contract	96%/4%	94%/6%
Male/female ratio permanent	59%/41%	60%/40%
Male/female ratio temporary	55%/45%	53%/47%
Training costs (million)	€ 3.9	€ 3.9
Sickness absence	3.4%	3.3%
Percentage of employees that have sworn the bankers oath	98%	97%

1 Number of external employees is based on contractual hours

More information regarding our staff can be found in section 3.4.2.3 Creating Value via Efficient and Sustainable Business.

3 STRATEGY AND DEVELOPMENTS

3.1 TRENDS AND DEVELOPMENTS

New Shareholder

On 1 April 2020, Athora completed its acquisition of VIVAT NV (now Athora Netherlands NV) by acquiring 100% of the shares from previous shareholder Anbang. With this acquisition Athora became the new shareholder of SRLEV NV. This also ignited the formation of a new Executive Board and Supervisory Board (see sections 2.1 and section 4 for details).

COVID-19 Impact

The COVID-19 outbreak has caused significant impact across the world, including to SRLEV, our customers, suppliers, employees and other stakeholders. The key impacts on SRLEV include:

- **Customers:** we have actively informed our customers about the possibilities for potential deferral of premium payment on pension policies and amending the pension scheme for their employees in light of the COVID-19 pandemic. We have also helped customers navigate the support options provided by the government.
- **Financial strength:** Despite a turbulent capital market during the year, our financial position remains strong and the Solvency II ratio is stable. Although the 2020 impact of COVID-19 on our investment returns have proved to be limited, the end of the pandemic is not yet in sight and we will continue to monitor the market.
- **Way of working:** The need for social distancing during the pandemic has resulted in all our employees working remotely for most of 2020 (and likely beyond). This has introduced challenges across technology / tools, relationship building (in particular with a new shareholder and Executive Board) and employee mental health wellbeing which we have to a large extent mitigated through interactive digital meetings and broadcasts, set-up of a COVID-19 proof studio and ensured that management was extra alert with respect to the safety and wellbeing of our employees.

Challenges Ahead

The COVID-19 pandemic is not yet over and remote working will thus remain the norm for the time being. Globally, the economy is suffering from the constraints introduced to manage the spread, and markets remain vulnerable. SRLEV will therefore continue to keep a close eye on how our investments develop and how we can keep our business operations and financial position healthy.

Comprehensive Strategy & Operating Model Review

Following the acquisition by the new shareholder, the new Executive Board set out to develop a new strategy for SRLEV. A comprehensive review of the strategy and operational model was conducted to ensure long-term value creation and to redesign our operating model to ensure it is fit for purpose. The review resulted in a new corporate strategy which is detailed in section 3.2.

3.2 STRATEGY SRLEV

The new strategy maximises SRLEV’s full potential by combining SRLEV’s current strengths and Athora Group’s resources and capabilities. The refined operating model including the new proposed organisational structure to execute the strategy is less complex and more efficient. SRLEV’s core assets, complemented by the (international) experience, capital backing and access to top-tier investment capabilities from Athora Group, form the foundation of the new strategy:

- A strong competitive position with leading brands, distribution and underwriting capabilities
- A mature organisation, an experienced workforce and sound operations at scale

The result is that SRLEV operates two business lines as a fully focused pension provider (Pension Business), supported by a dedicated service organisation (Life Service Business) combined with strong investment capabilities. This focus makes us unique in the market and allows us to state with confidence that our ambition is to become the #1 pension provider in the Netherlands, offering the best value for money—where value is not only a financial, but also a social return.

The Executive Board of SRLEV operates a dashboard of key indicators to assess the current portfolio of activities and future opportunities within a set risk appetite and ranges for Solvency II ratio level and stability:

- Customer Engagement
  - Customer satisfaction
  - Zwitserleven brand awareness
  - Sustainability
- Capital Generation
  - Profitable and sustainable growth
  - Operational cost management
  - Asset spread in our investment portfolio
- Leadership
  - Employee engagement
  - Strategic alignment
  - Attractiveness as employer

We execute on this strategy through:

1. A simple yet complete and coherent portfolio of excellent customer solutions
2. An effective and efficient operating model and organisational structure
3. Strong investment capabilities
4. Strong sustainability capabilities and governance

A Simple Yet Complete and Coherent Portfolio of Excellent Customer Solutions

We have assessed our product portfolio through three lenses: market dynamics, financial potential and portfolio fit. Based on this assessment we decided to exit products where SRLEV does not have an intrinsic competitive advantage. Going forward, we will focus on pension solutions for employers, employees and pension funds.

All our products will be sold under the strong Zwitserleven brand. The Reaal brand will to be used for (existing) customers through our new Life Service Business.

With a highly focused product portfolio and refined distribution model we will be best positioned to serve our clients well, and thus realise growth in our chosen target market segments and achieve healthy levels of capital generation.

An Effective and Efficient Operating Model and Organisational Structure

Our focused strategy requires and enables a simpler operating model and organisational structure, with a single Pension Business, a dedicated Life Service Business and fewer (and smaller) support functions. In addition, we are initiating or accelerating automation / digitalisation initiatives and consider outsourcing a number of (non-strategic) activities.

Finally, going forward SRLEV will make use of the best practices within Athora Group and create synergies by integrating certain functions. Together, this enables us to significantly reduce costs as well as increase effectiveness and commercial strength.

Strong Investment Capabilities

Also at the core of our strategy is asset management. Combining our knowledge of the Dutch market and leveraging on certain investment capabilities of Athora, we expect to enhance capital generation in the future and be able to offer the best value for money propositions to our customers by long term sustainable investments. To effectively execute our new strategic asset allocation, the full management of the own account investments will be transferred to SRLEV from ACTIAM. Currently, strategic options for ACTIAM are being explored which will allow ACTIAM to continue to build on its ESG track record and focus on the funds for SRLEV's unit-linked propositions as well as its third-party funds and mandates.

Strong Sustainability Capabilities and Governance

An important part of our strategy is to further build on our widely recognised socially responsible investing (SRI) credentials and continue to embed sustainable insurance (SI) and corporate social responsibility (CSR) practices in the organisation.

It is evident that sustainability is a strong asset and value contributor for all our stakeholders: customers, employees, regulators, shareholders and business partners.

We also know that we need to step up to continue to deliver on our promises and to comply to new regulatory requirements and industry adopted best practices for SRI, SI and CSR more generally.

3.3 BUSINESS LINE STRATEGY

3.3.1 Pension Business

The new Pension Business serves three segments of clients:

1. Employers – with a winning pension savings offering (defined benefit, defined contribution and PPI products)
2. Employees – through highly competitive retirement solutions (direct and individual annuities)
3. Pension funds – by supporting pension buy-outs

To execute the new strategy, the Pension Business has established a programme of initiatives to support the goals of capital generation and customer engagement. These initiatives fall into one of the following categories:

- **Customer Excellence:** Tailored approach to servicing clients, including personalised communications with insightful information
- **Accumulation (pension savings):** New quotation platform and improved pension savings product offering and features, supported by efficient internal processes
- **Decumulation (retirement solutions):** Enhanced product offering with the addition of variable annuity for increased customer flexibility
- **Digitisation:** Uplifted portals for employers, employees and advisers with improved user experience (design, layout, speed), product range (available through portal) and product information and explanations
- **Business Intelligence:** Set-up of dedicated Business Intelligence department to deliver enhanced analytics and pricing (including accuracy and response time) as well as marketing intelligence
- **Buy-out:** Set up of dedicated buy-out team to deliver our buy-out offering

The Pension Business delivers value to our stakeholders in a cost efficient and sustainable way through:

- Retention of existing business – renewal of defined benefit, defined contribution and PPI contracts as well as roll-over of pension savings into annuity products
- Organic and inorganic new business – new defined benefit, defined contribution and PPI contracts, transfer of external capital for purchase of our annuity products, and buy-out transactions

As one of very few providers, we continue to renew and offer new defined benefit contracts as long as there is client demand and the upcoming pension legislative framework allows it. Over time, we foresee a transition of both defined benefit schemes and traditional defined contribution schemes to PPI schemes.

3.3.2 Life Service Business

The Life Service Business manages the inactive Individual Life product portfolio of the Reaal brand. This will further drive and retain economies of scale as the Individual Life product portfolio gradually runs off. The objective of the Life Service Business is to become a service organisation performing at EU cost benchmark levels with a flexible change organisation that can meet ever-changing customer needs.

To achieve and maintain a sustainable competitive position in a shrinking market, the Life Service Business has defined a long-term transformation journey towards a highly efficient target operating model appropriate to the dynamics of a declining portfolio. Core to our approach is cost variabilisation, simplicity and whilst maintaining a good customer experience through the application cost-effective digital capabilities that enable self-servicing.

The Life Service Business continuously explores strategic options for future management of the inactive product portfolio to further accelerate the transformation journey.

3.4 SUSTAINABILITY

At SRLEV we see it as our task to create value in the long term. For our customers and for the world around us. That is why sustainability is an integral part of our business strategy.

2020 has shown that our planet and its people are more vulnerable than ever before. Concerns around climate change threatening our environment, have been surpassed by concerns about the global health pandemic: COVID-19 which has been at the forefront. This does however not mean extreme weather, scarcity of water, deforestation, the nitrogen discussion, monoculture and the suppression of biodiversity have vanished as global threats. These topics along with fair allocation of labour, segregation in society and access to affordable insurance for everyone are urgent issues that require our immediate attention.

At SRLEV, we therefore stand by our continued commitment to investing responsibly, providing fair and affordable insurance solutions, and ensuring that our internal operations are gentle on our planet, our communities and our employees. We will continue to meet these challenges together with our stakeholders — including our clients, partners, government authorities and civil society.

Challenges and Ambitions for 2020

In our 2019 annual report, we anticipated five sustainability challenges and ambitions for the coming years. Below, we provide a summary of the 2020 progress against each of these:

1. **Responsible investing – engagement versus exclusion:**
   We conduct engagement either as a response to violations of our ethical principles or to address solutions that would reduce the risk exposure. Exclusion is the last resort we use. In 2020, the number of companies excluded due to high sustainability risks increased, primarily based on high carbon intensity levels.
2. **Responsible pensions and application of engagement and exclusion policy for individuals:** So far we have taken the position that every individual is entitled to a pension. However, a number of sectors, companies or individuals are excluded by regulation, and we also consider exclusions on an individual company level. Work is underway to refine our customer acceptance policy to reflect our sustainability considerations.
3. **Sustainable investing and return on investment:**
   We recognise that entities performing well on material environmental, social and governance issues have better financial performance than entities performing less well on these issues. For this reason, we intend to optimise financial, environmental and social returns in the longer term. These solutions reduce material ESG risks of the investments and create attractive and enduring financial value to our clients and stakeholders as well as sustainable social value for society.
4. **Consideration of potential negative ESG impacts:**
   We aim to answer questions such as: How many entities were helped with access to financial resources?; Which basic needs were supported?; Which climate risks does the portfolio have for a range of possible climate scenarios?; and Which ecosystems have been restored through the investments? To provide full transparency, our primary asset manager ACTIAM has developed a dashboard in 2020 that gives us insight into environmental and social impact.

5. **Practice what you preach:**
   We adhere to the responsible level of investments as categorised by ACTIAM. Through our investments. We intend to invest in companies having the ability to meet the required transition pathways, for which we commit to reducing our carbon footprint and report on our progress in line with the Dutch Climate Agreement.

Challenges and Ambitions for 2021 and 2022

SRLEV sees challenges in many different areas. In 2019, we discussed these challenges with representatives from our most important stakeholder groups, which has resulted in new challenges for 2020 and beyond:

1. **Implementation of improved sustainability strategy:**
   Athora Netherlands is currently reviewing our sustainability strategy across the components Socially Responsible Investment, Sustainable Products and Corporate Social Responsibility. We aim to further strengthen our approach through integration and structure, with a clearly defined sustainability vision, set ambition levels and aligned goals, in order to increase our positive impact and further enable transparent communication on the topic. In 2021, we will finalise our new sustainability strategy and approach and make way in terms of implementation.
2. **Exclusion versus engagement in responsible investing:**
   While our exclusion policy is a critical part of our socially responsible investment practices, we will continue to increase our engagement on key ESG topics with the aim to generate value for society.
3. **Responsible products (non-investment):**
   As we formulate our underwriting policy, can we also increase our involvement on the non-investment side and engage with customers and potential customers on ESG matters to increase our positive impact?
4. **Internal engagement:**
   Sustainability is an important topic on SRLEV's agenda and forms an important part of our company's DNA. How can we improve the awareness and involvement of all our employees in sustainability questions and activities to further increase our positive impact.

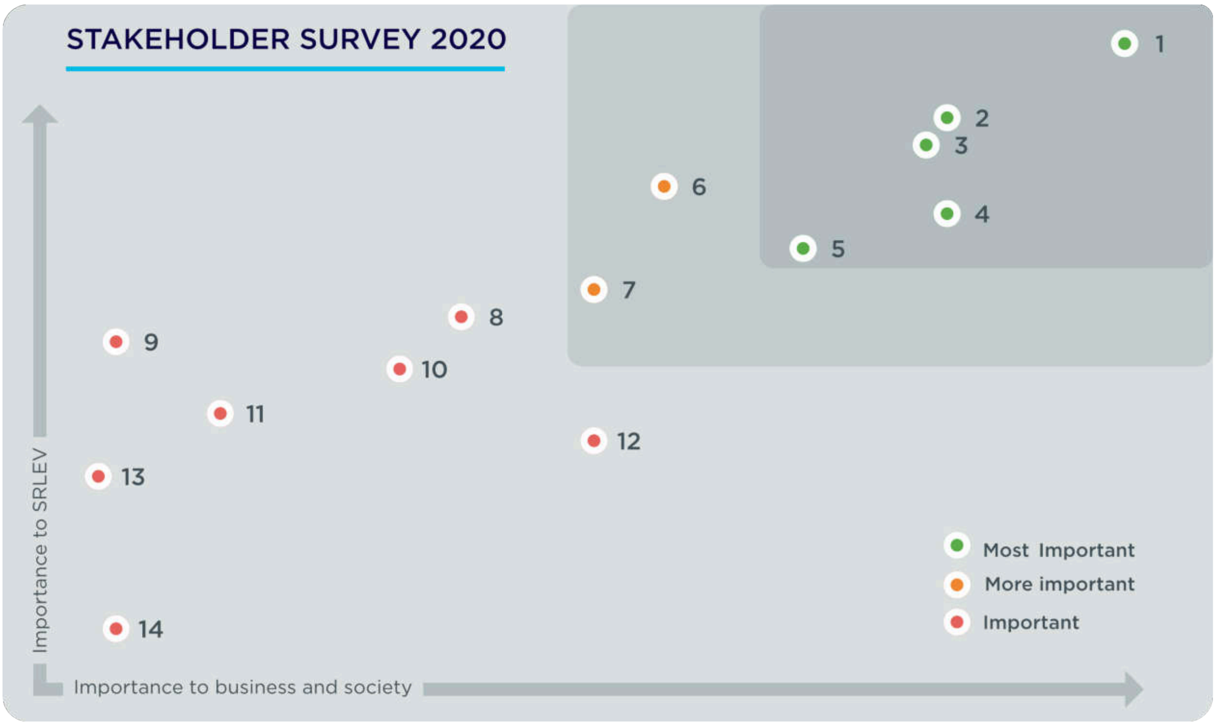
3.4.1 Stakeholders Engagement

In 2020, we undertook our bi-annual engagement survey among a broad representative sample of our stakeholders, including customers, partners, employees, government authorities and civil society. The findings are discussed with the Executive Board and are used to refine our sustainability strategy, along with our underlying targets and priorities. We will also use the findings to update our disclosures and reporting in order to meet (information) requirements by these stakeholders.

In November 2020, we recalibrated these outcomes with internal key representatives. The outcomes and implications for the sustainability strategy of the survey were discussed with the Executive Board. As a result, updates in targets and policies were executed. The survey helped us to bring further focus to our strategy, priorities and sustanaibility programme. From the list of material (and most relevant) topics, the following areas were identified as being the most relevant:

1. Solvency
2. Responsible Investments
3. Appropriate and Simple Products
4. Responsible Pension
5. Sustainable Use of Land and Preservation of Nature

Of course, this does not mean that other topics are not relevant for us to pay attention to. On the contrary, the aim of this periodical survey is to follow trends and keep our focus aligned to trends and stakeholder requirements.



Key Topics

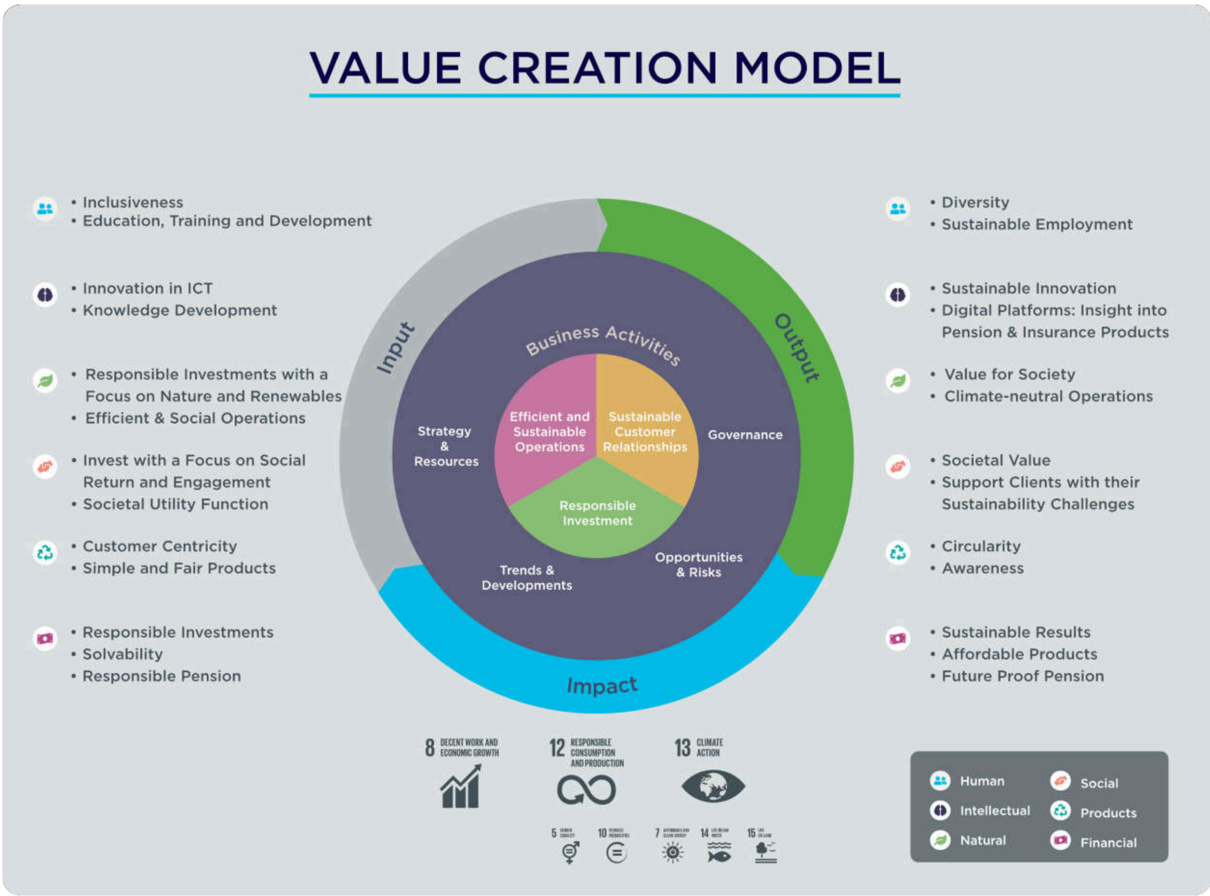
1. Solvency	8. Sustainable employability
2. Responsible Investments	9. Diversity and Inclusion
3. Appropriate and simple products	10. Reduction of carbon emission by 50% in 2030
4. Responsible pension	11. Financial self-sufficiency of customers
5. Sustainable use of land and preservation of nature	12. Sustainable energy generation
6. Being a good employer	13. Strict selection of customers on integrity and sustainability
7. Products with added value for our customers	14. Focus on biodiversity

3.4.2 Value Creation

As an insurer, our role is to offer our customers simple and comprehensive products, with the choices we make today having an important impact on the protection of our customer' future income. Therefore, we recognise the importance of sustainability and focus on the long term value creation. As this is in essence what we do and stand for as an insurer.

Value Creation Model

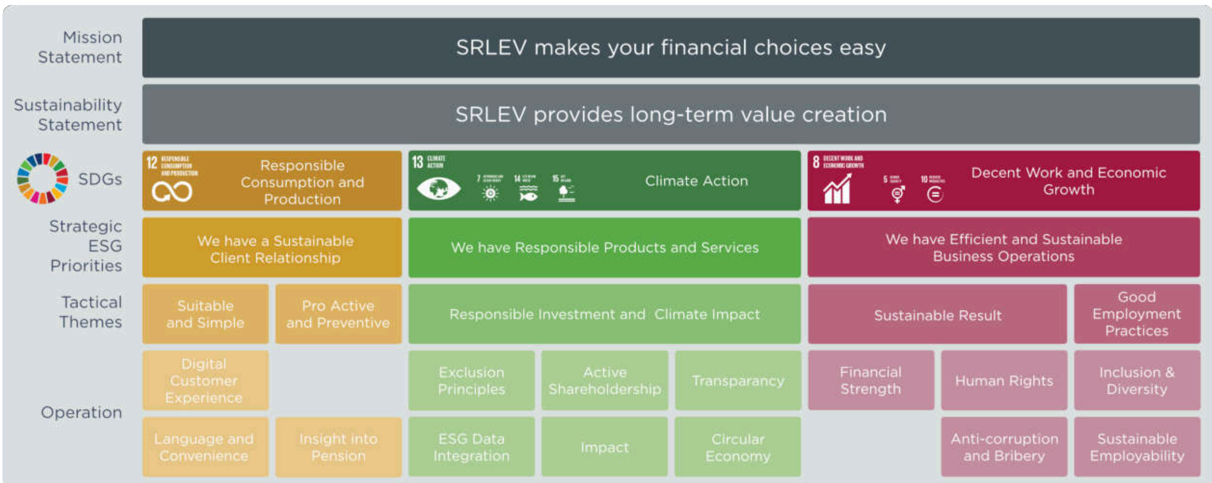
Our value creation model shows the various sources (financial, produced, intellectual, human, social & relationships and nature) that we use to achieve our strategic targets and the values that we add with our core activities. It also shows how these collaborate with broader societal objectives summarised under the UN Sustainable Development Goals (SDGs).



The Value Creation Model applies to Athora Netherlands as a whole, of which SRLEV is a full subsidiary

How We Translate Strategies into Actions and Objectives

We have adopted the UN Sustainable Development Goals (SDGs) as a guideline for our business practices. The most relevant SDGs are shown in the illustration below, and these are in turn linked to the underlying tactical themes and operational topics.



The MVO Matrix above shows a complete illustration of the operational topics

The full Connectivity Table is published on the Athora Netherlands website: **athora.nl/en/corporate-responsibility/connectivity/**

3.4.2.1 Creating Value through Sustainable Customer Relationships

Fair and Transparent Service

Customer Centricity is essential for our success. We strive to earn and maintain the trust of our customers by being fair and transparent in our customer approach. In doing so, we apply the criteria of cost efficiency, usefulness, reliability and comprehensibility as prescribed by the regulator, the Dutch Authority for the Financial Markets (AFM).

In previous years, the AFM has tested whether insurance companies are succeeding in treating customers fairly. The regulator has published these scores for Treating Customers Fairly (TCF) on a yearly basis. The AFM has not reported any new scores on TCF to financial institutions regarding the year 2020.

Customer Loyalty and Customer Satisfaction

We take customer loyalty and customer satisfaction very seriously. Therefore, we continuously monitor our performance in these areas. Our customer loyalty measure (Net Promoter Score) helps us understand the customers' willingness to recommend a brand to friends and family, providing a broad perspective on how customers value the overall relationship with the brand. Our Customer Satisfaction measure (Delighted Customer Score) helps us to understand how our service is perceived by our customers, identifying drivers for short term improvement in key customer service processes.

NPS

The Net Promoter Score (NPS) is an important indicator for Customer Centricity within Athora Netherlands (and therefore SRLEV). Based on the NPS survey results, our customers can be categorised in to different groups: 'Promotors', 'Passives' or 'Detractors'. NPS is measured on a continuous basis among the various customer segments (e.g., both private and business customers, and per product line). As a result, an overall Athora Netherlands score is derived and reported quarterly, in order to monitor the progress and gain insights in the areas for improvement.

In 2020, the Athora Netherlands NPS has increased to -20, driven by a higher percentage of 'Promotors' (+4) and lower percentage of 'Detractors' (-8) across the product lines.

NET PROMOTER SCORE		
	2020	2019
Athora Netherlands	-20	-32
Individual Life	-29	-42
Life Corporate	-18	-28

Customer Satisfaction

In addition to NPS, the customer satisfaction is measured among the various customer segments. These scores reflect the level of customer satisfaction on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied) and is expressed as the percentage of customers that value our services with an 8 or higher (so called Delighted Customers).

In line with the stronger NPS performance, the Athora Netherlands Delighted Customers Score has increased to 53%, primarily driven by a shift in customer satisfaction from grade 6 and 7 to the 8+ category within both the Individual Life and Life Corporate customer segments (primarily among the employer customer group). As a result, in 2020 more than half of the Athora Netherlands customer base values their overall relationship with an 8 or higher.

DELIGHTED CUSTOMER SCORE		
	2020	2019
Athora Netherlands	53%	42%
Individual Life	48%	37%
Life Corporate	53%	46%

Customer Privacy and Data Protection

Through our business operations, we record and maintain a large amount of data for a very long time. We are bound to secure customer data and data about our interactions with our customers. SRLEV not only needs to make sure that we serve our customers well and respect their privacy, but we also have to be able to provide evidence that over the span of our often long term relationship with our customers, we adequately perform our duty of care and fulfil all our legal requirement such as tax filings and regular Sanction List scans.

With that in mind, data protection and the privacy of customer data are of key importance to SRLEV. Customers can trust that their personal data are safe with us. That is why we have implemented policies to protect customer data and customer privacy. The privacy statements as published on the websites of Athora Netherlands and our brands describe the categories of data we collect, the purposes of the collection of these data and how customers may access such data. Customers can contact Athora Netherlands with requests related to their data.

SRLEV also has a policy to handle data breaches to minimise possible damage to customers. The appointed Data Protection Officer is responsible for monitoring compliance with the law (e.g., GDPR). In 2020, 331 data breaches (2019: 292) were detected within Athora Netherlands (P&C not included) of which 15 (2019: 11) were reported to the Dutch Data Protection Authority. In 2020, SRLEV had key risk indicators in place concerning major data breaches and data breaches reported to authorities. In 2021, these key risk indicators will be updated.

3.4.2.2 Creating Value through Responsible Investing

SRLEV applies a three step approach when it comes to responsible investing. We first assesses whether a company or state meets our fundamental investment principles – the baseline of our investments. Second, for companies that pass the first test, a company's adaptability to each of the material risks determines its integration into our investment decisions. Third, we aim to make a positive impact through our investments by financing sustainable activities.

Step 1: Ethical Principles

All entities in which we intend to invest are screened based on our Fundamental Investment Principles. These principles are foremost based on international treaties, conventions and best practices, including the UN Global Compact (see appendix for a comprehensive list of the international mechanisms we consult). Because these international mechanisms are considered universal, the standards underlying our Fundamental Investment Principles go beyond personal and cultural differences in our investment policy, taking into account social discussions and the nature and extent of social consensus.

Compliance with our principles is assessed based on two main criteria:

1. Repeated or systematic involvement in activities covered by our principles, as well as failure to sufficiently remedy such involvement.

2. Inadequate preparedness to prevent this involvement from occurring in the future. A company is considered to have taken insufficient measures to prevent ongoing or future involvement, when either of the following conditions is met:

a) The company lacks coherent management systems, which include the following components:

- Management principles;
- An operational policy through which these principles are implemented;
- Adequate procedures to assess, mitigate and address risks;
- Systems for monitoring and tracking risks and risk management steps, as well as implementation of the operational policy;
- Sufficient training and education to help staff, subcontractors and suppliers in the adequate implementation and execution of the policies;
- Mechanisms to encourage frequent feedback to management; and
- Regular (public) reporting.

b) The company demonstrates no credible implementation and/or enforcement of above-mentioned management systems.

As a responsible investor, SRLEV will evaluate whether to exclude companies once it becomes clear that we will not be able to persuade them to change their behaviour. That is why, prior to exclusion, we assess whether engagement may be a helpful tool in remedying any real or potential violation. If engagement is not an option or not successful, the ultimate consequence may be exclusion from our investment universe.

When we do decide to exclude a company and investments have already been made, these assets will be sold at short notice. This may also apply to companies that are not directly involved in violations of the Fundamental Investment Principles, but whose behaviour or activities raise serious ethical questions.

In 2020, the total number of companies excluded by our asset manager ACTIAM due to not complying with the Fundamental Investment Principles increased. The majority of the new exclusions was based on products and businesses doing harm to human (mental) health or animal welfare, followed by basic human rights, fraud, corruption or tax evasion, and controversial weapons. The names of newly excluded entities and grounds for exclusion are published in quarterly reports published on the Athora Netherlands website throughout the year.

Step 2: Material Risks

We recognise that entities performing well on material ESG issues have better financial performance than entities performing less well on these issues. That is why SRLEV provides investment solutions that aim to optimise longer-term financial, environmental and social returns. These solutions reduce material ESG risks of the investments and create attractive and lasting financial value for SRLEV and our customers as well as sustained social value to society.

SRLEV's sustainability policy provides a pragmatic view on the role of investors in guiding the transition to a sustainable society in which companies can thrive while respecting social and environmental limits, now and in the future. An important part of this policy is the classification of the companies in the investable universe based on their capacity to prepare for the transition and physical risks they face.

Governance

To ensure compliance with the sustainability policies, decisions are challenged and overseen by independent committees within ACTIAM:

1. ESG Committee: Changes to the sustainability policy and the categorisation of entities, based on adaptability to material ESG risks, are proposed by the ACTIAM's Sustainability & Strategy team but not implemented before formal approval from ACTIAM's ESG Committee. This committee consists of ACTIAM board members, the director of the Fund Management team, the director of the Sustainability & Strategy team as well as an independent ethics specialist that reviews and challenges the proposed decisions. In 2020, the selection committee held nine sessions.

2. Audit: Implementation and results of our Sustainability Policy are part of the SRLEV Annual Report.

Strategy

We base our strategic investment decisions on the concept of the safe zone, a reproduction of a sustainable society that combines the frameworks of the Planetary Boundaries and the Doughnut Economy. We belief that the transition towards this safe zone will accelerate and that those who do not follow these developments or those who do not have a clear view on the impact of this transition, will eventually lose, either due to market forces, government policies or technological disruption. Lagging entities create ESG-related financial risks to SRLEV's investments.

SRLEV assesses whether the entities in which they invest have the adaptability to manage their material risks and opportunities in such a way that they operate in or move towards the safe zone. The assessment determines whether the entity has already reached that point, is on the required path, or is still far from preparing for the upcoming transitions. It is measured by:

1. how their business model, industry of operation and behaviour exposes them to risks of not operating in the safe zone; and
2. how well their adaptability is developed to manage these risks and make the required transitions.

Based on the assessment, each entity is divided into one of the following categories:

1. **Adaptive:** Entities that (still) operate outside the boundaries but having concrete and verifiable strategies to end up in this zone within an acceptable time frame are considered adaptive. They demonstrate the adaptability to prepare for the material and operational long term risks associated with the transitions. These entities are expected to continue to evolve to achieve the required path to the safe zone;
2. **At risk**: Entities that operate outside the boundaries and that do not operate on the required transition path and have unmanaged risks, are considered at risk. They currently lack the adaptability to prepare to deal with the material risks associated with the transitions and are therefore vulnerable to long-term operational risks. Yet, they show some recognition of the risks that they face and with extra effort they can develop this capability and reduce their risks;
3. **Non adaptive:** Entities that operate outside the boundaries, far from the required transition paths, and are unable to bring risk management up to standards, are considered non-adaptive. These entities lack sound management strategies for their material issues, are exposed to high risk and therefore face significant operational risks in the short to medium term.

Risk Management

For entities that comply with the Fundamental Investment Principles, SRLEV assesses whether they are able to controle their exposure to the material risks of not operating in the safe zone. Also part of this is their ability to capitalise on opportunities to operate within those zones. To mitigate high exposure to material risks, SRLEV uses the following instruments:

Exclusion

If entities are categorised as non-adaptive, SRLEV considers them to be a significant risk to society and to investors. We will present them to the ESG Committee with the advice to exclude them from investments. Since there is generally little willingness among these entities to change to business conduct that fits the safe and fair zone category, engagement is unlikely to be successful.

In 2020, the total number of companies excluded due to being non-adaptive increased again. Most of the new exclusions, more than 75%, were based on high carbon intensity levels, either from own operations (scope 1 and 2) or products sold (scope 3). The high number of exclusions reflect the fact that the low carbon transition risks are materialising rapidly. The names of newly excluded entities and grounds for exclusion are published in quarterly reports published on our website throughout the year.

Active ownership

Entering into an engagement means starting a dialogue with an entity to influence its behaviour in light of the sustainable transition. Engagements are longer-term trajectories with predetermined objectives. SRLEV tracks the progress of these dialogues. In addition to these longer-term dialogues, we speak with companies about their sustainability on an ad hoc basis, e.g., in one-off meetings, at events or to clarify our position on certain issues. Engagement plays a key role in the process of achieving change in the real world. Entities have an incentive to listen to investors, as they are providers of capital or owners of their organisation. In particular, the following risk themes were addressed by ACTIAM on behalf of SRLEV in 2020:

- **Climate risks:** ACTIAM has been conducting engagements on climate goals for a number of years. This is not only limited to the energy sector, but also concerns sectors with high emissions such as transport, cement and aviation. To this end, ACTIAM has joined the Climate Action 100+ initiative, an engagement initiative with the aim of stimulating companies to enable the transition to clean energy and thereby help achieve the goals of the Paris Agreement. The initiative has already persuaded a number of companies to fully commit to the requested objectives. For example, Maersk, the world's largest shipping company, has committed to zero net carbon emissions by 2050 and Duke Energy Corporation has announced plans to reduce carbon emissions by 50% by 2030. These are some examples of a much longer list of commitments made by the companies involved.
- **Deforestation risks (1):** Through the Investor Initiative for Sustainable Forests, coordinated by the PRI and Ceres, ACTIAM focuses on the risks of deforestation within the livestock and soybean supply chains. The initiative involves more than thirty companies in soy and / or animal husbandry in Latin America, a region with a high risk of deforestation. ACTIAM has an active role in four of the engagements, in which meat packers are associated with deforestation in biodiversity hotspots. In June 2020, ACTIAM evaluated the commitment to determine whether sufficient progress was made to meet the set objectives. This review found that one of the companies, JBS, has been unable to monitor suppliers delivering livestock from state-protected parks. The company was subsequently excluded by ACTIAM.
- **Deforestation risks (2):** Following the above initiative, ACTIAM has launched an engagement programme in 2020 calling on companies to stop deforestation in their supply chain and to be more transparent about the traceability of raw materials. ACTIAM coordinates this initiative, which is also supported by eight other financial institutions. The investor initiative focuses on eight companies that do not provide sufficient information about their suppliers. These cases have come to light through satellite images and artificial intelligence provided by Satelligence. When it appears that suppliers are associated with deforestation, they are asked through engagement to limit the effects of deforestation and prevent it in the future.
- **Water risks:** ACTIAM, together with VBDO and several other asset managers, has started a programme that aims to raise awareness to the theme of water risks within the mining sector. ACTIAM has published three different engagement guides in this forum, focusing on water, biodiversity and landscape restoration. These guides can be used by other investors in their discussions with mining companies. ACTIAM has also entered into talks with four mining companies via the initiative, with water management as the focus theme in the first instance. A diverse set of companies was selected for this. For example, discussions were held with a company that pursues a very strong environmental policy, but is involved in various controversies in practice. Other companies with which ACTIAM is in talks publish a less extensive policy, but are not involved in controversies.
- **Risk related to corporate taxation:** ACTIAM is actively participating in a tax engagement programme led by Sustainalytics that started in 2020. In recent months, the first round of engagement discussions took place with 21 companies from the pharmaceutical and IT sector. The purpose of this commitment is to work towards transparency and to introduce a robust policy to mitigate risks related to corporate tax avoidance.

Metrics & Targets

It is SRLEV's objective to show our customers how their investments are deployed and how we are progressing. For example, how many entities were helped with access to financial resources, which basic needs were supported, which climate risks does the portfolio have for a range of possible climate scenarios and which ecosystems have been restored through the investments? In order to provide full transparency to stakeholders, our asset manager ACTIAM has developed a dashboard that shows both financial returns, and environmental and social impact.

We manage our assets in the spirit of the Paris Climate Agreement and we use the carbon footprint of our investments as benchmarks. The long-term objective is to achieve climate neutrality. An intermediate step is to reduce the greenhouse gas intensity of our investments (total sum of own account and funds) by at least 30% in 2030 compared to the 2010 level. Low-carbon solutions that make a positive contribution to the energy transition also offer investment opportunities.

A water-neutral portfolio means that we aim for less water use in areas where water is scarce, and for better access to water and better water quality. Circular water solutions and improved infrastructure offer investment opportunities. ACTIAM invests, for example, in green bonds issued by banks. They fund municipalities that want to improve their water recycling and waste water management facilities. There are many challenges before these ambitions can be realised, but we will be achieving this ambition by contributing to better data quality and collaborations with other parties.

Climate

In line with the specifications set out in the Climate Agreement (het Klimaatakkoord), SRLEV calculates the carbon emissions associated with our investments. The carbon footprint of investments is calculated according to the method developed by the Partnership Carbon Accounting Financials (PCAF). The carbon footprint consists of the absolute and relative scope 1, scope 2 and scope 3 carbon emissions of the entities in which we invest. The data is provided by external providers MSCI ESG Research and Eurostat. The data is expressed in tons of CO2 equivalents, so it includes different greenhouse gases.

Based on the share of the company's enterprise value owned through equity investments or the portion of debt financed through loans provided to the entity, a portion of the entities' total carbon emissions are allocated to our investments. The sum of the carbon footprints of all individual entities in which we invest equals the reported total carbon footprint of the investments.

CARBON EMISSIONS			
Carbon emissions	Capital per 31 December 2020 In € millions	CO2-emissions scope 1 and 2 Ton CO-2 per € million	CO2-emissions scope 3 Ton CO-2 per € million
Own account	37,861	27.2	15.9
Funds	24,075	56.9	134.2

Water

Stressed water consists of the absolute water consumption of business activities in sectors and areas where water scarcity is high. The water footprint is only calculated for investments in water-scarce areas.

WATER USE				
Water use	Capital per 31 December 2020 In € millions	Of which relevant In € million	Total scarce water use In thousand liter	Intensity of scare water use Thousand liter per € million
Own account	37,861	880	495,752	13.1
Funds	24,075	4,054	902,330	37.5

Step 3: Positive Impact

Sustainable bonds are in line with our ambition to contribute as widely as possible to the financing of sustainable activities for its clients. In 2020, SRLEV therefore invested again in loans from companies in both the financial and non-financial sector. For example, we have invested in sustainable bonds from E.ON, Caixabank, Prologis, Alliander, NRW Bank, Arkea, KBC, BASF, BBVA and Philips. Below are a number of examples of sustainable bonds in which ACTIAM has invested:

- The German chemical group BASF issued its first Green Bond to finance projects related to renewable energy and products, production technologies and processes that are eco-efficient and / or circularly adaptive. An example in the latter category are the innovative technologies that BASF is developing for recycling plastic.
- Another type of bond invested in is the BBVA pandemic bond. The Spanish bank came to the market with this social bond to stimulate and finance the aid delivery for the COVID-19 pandemic in Spain. The proceeds are intended for social projects that mitigate the social impact of the pandemic.
- Philips also issued bonds with sustainable objectives in 2020. Athora Netherlands invested in this bond, which is used to finance special projects such as Research & Development with regard to hazardous substances, circularity and lifelong reliability. Other examples of a project are renovation solutions for MRI systems, heart rate monitors and “Philips Community Life Centers”.

3.4.2.3 Creating Value via Efficient and Sustainable Business

SRLEV wants to be a company that has an eye for the future. That is why we invest in the physical, mental and social health of our employees and offer individual development opportunities. In this way our employees have more control over their own career and their own health.

Inclusion and Diversity

Respect for every individual and their unique contribution is defined in our Code of conduct and Equality-policy. We value differences and diversity, recognising that different perspectives make our organisation more colourful and better in serving our clients. We foster an inclusive culture in which everyone can be themselves.

SRLEV has the ambition for a balanced target between male and female throughout the organisation and within all management layers (at least 40% male or at least 40% female).

In our annual Talent Review and Succession Planning process we continue to pay extra attention to identifying female talent and creating awareness regarding female talent. Our recruitment process is based on the Equality Policy.

In 2020, a new Diversity & Inclusion policy has been drawn up, in which we define Diversity and Inclusion within SRLEV. We have set goals in various sub-areas, for example on male/female ratio, but also on the percentage that feels they can be themselves within the organisation or that indicates that people of all backgrounds (e.g., culture, ethnicity, gender, sexual orientation, age religion) can succeed at SRLEV.

Over fifty women took part in the Women in leadership course, which was organised with the Rotterdam school of Management. We opened a community for employees on diversity and inclusion to share information and good initiatives.

Jobs are weighted regardless of gender at SRLEV. Men and women with comparable work experience, achievements and job level are given equal pay. The differences in wages between men and woman are caused by the on average higher age of men and to level / grade differences. Within our company, women are on average 2.1 years younger than men and are underrepresented in the higher salary scales.

DIVERSITY IN %		
Female in %, by function group as at the end of the year	**2020**	**2019**
Supervisory Board	20.0%	20.0%
Executive Board	20.0%	33.3%
Senior Management	17.6%	20.0%
Other staff	39.9%	40.4%

The percentage of women across the organisation has decreased very slightly (0.5%), which we consider a normal shift within the margin. For Senior Management, the percentage of women has decreased by one person (2.4%), from 7 women for 35 managers (2019) to 6 women for 34 managers (2020). Although the absolute decrease is limited, the goal remains to appoint more women to management positions. The new Diversity and Inclusion Policy clearly describes goals, also in the field of gender. An action plan is currently being developed that should ultimately lead to SRLEV becoming a more diverse and inclusive organisation with a balanced distribution of women and men in senior management and staff.

Sustainable Employability

Athora Netherlands (and therefore SRLEV) pursues to be an innovative and inspiring employer, that recruits, motivates and challenges high-performing, fit employees. To that end, we continued our 'FIT' philosophy, where FIT stands for Flexible, Innovative and Talented and being fit for the job that needs to be done.

The principles of FIT apply to the following three areas:

- **Job Fit:** employees fit in their roles, and make sure their employability is in good shape, now and in the future
- **Organisational Fit:** Athora Netherlands offers a good and pleasant working environment, with adherent tools and conditions to be able to do the best job
- **Personal Fit:** Within Athora Netherlands we value vitality and health, within a proper work-life balance

To support our employees in remaining or becoming FIT, we have implemented several initiatives, including.

Personal Development
We encourage training and education to ensure that employees are adequately equipped to fulfil their role. In accordance with our Collective Labor Agreement, all employees have a Growth Budget to spend on education or training of their choice. In 2020, 540 colleagues (32% of the employees) used our Learning Platform to book an education or training. We also provide Talent and career scans, coaching and various workshops on career development. In July and August, about 840 employees participated in one or more of the 32 online workshops of our annual Summer School. Participants rated the event with an average of 8.5, which was even higher than previous years. At the end of 2020, we offered employees free consults and an online market to help them choose a training.

Vitality
The way of working has changed rapidly in the past year. Our employees had to work from home for the most part, so that work and private life became increasingly intertwined. To contribute to the resilience and vitality of our employees, we have supported them to establish a healthy workplace at home. We have also encouraged them to participate in online sports lessons. We also enabled them to participate in the Virgin Global Challenge, a global programme that helps employees exercise more, eat healthier, sleep better and find a better work-life balance. In October we organised the annual Week of happiness at work ('Week van het werkplezier') for the 4th time. During this week employees can join online workshops and presentations related to work stress and remote working. Almost six hundred employees joined these activities.

Health Safety and Well-being
In collaboration with our Health services, we supported our employees with a spectrum of services during their absenteeism and reintegration. This year's absenteeism rate stayed almost the same at 3,4% (2019: 3.3%), despite the uncertainties that our employees faced. We also started the mandatory Risk Inventory and Evaluation (RI&E) for COVID-19 and an action plan was made. Our annual Employee engagement survey had a good response at 89.3%. In April 2020, we also conducted a short, so-called COVID Pulse Survey to get information on how employees experience the period of COVID-19 and working from home. The results gave us a good impression of how employees were doing and what their biggest challenges were. It also provided insight in what was being valued and were we could do better.

Energy Measures

For SRLEV it is important to minimise the negative impact of our own business operations on the environment. Being climate neutral is one of our main objectives. Our offices operate on one hundred percent green gas and electricity, as they have been doing for several years. In 2020, we achieved a 45.2% drop in net carbon emissions for our own internal organisation to 1,905 tonnes. The main reason for this decline was the restrictions on working at the office and the minimisation of the travel movements caused by the COVID-19 pandemic.

INTERNAL CARBON EMISSIONS		
Carbon emissions in tonnes	**2020**	**2019**
Scope 1 (biogas, lease cars)	509	427
Scope 2 (renewable electricity)	-	-
Scope 3 (business travel, commuting, waste, paper and water)	1,396	3,049
Net carbon emissions	**1,905**	**3,476**

Nevertheless, our activities to work towards climate neutrality go beyond the offices in which we work. All our suppliers are requested to comply with Athora Netherlands' General Procurement Terms and Conditions. By agreeing with these terms and conditions, suppliers declare that they have taken steps or are in the process of taking steps to minimise their ecological footprint (including carbon emission, paper consumption, energy consumption and waste) and have implemented or are in the process of implementing similar sustainable procurement terms and conditions in their own organisation.

3.4.3 Managing Non-financial CSR-related Risks

Investment and Environmental Risks

All entities in which we intend to invest are being screened on the basis of Athora Netherlands' Fundamental Investment Principles. These principles are based on ethical and social norms and values, regardless of whether these are material to the entity or not. Entities that systematically do not comply with these Fundamental Investment Principles are excluded from investment.

For entities not violating our Fundamental Investment Principles, SRLEV's Asset Manager (ACTIAM) measures the adaptability to manage their exposure to the risks of not operating in the safe zone. It also measures their capacity to take opportunities to operate within the safe or in the positive impact zone. As not all drivers are equally material to all companies, not all drivers are evaluated for each entity.

Based on the assessment per driver, each entity is subdivided into one of the following five categories:

A) Positive Impact: Entities that seize the opportunity to make a positive and intentional contribution to Sustainable Development Goals while operating within the planetary boundaries. Through their positive contribution, the entities extend the safe and just zone and create a positive impact;

B) Safe and Just Zone: Entities that properly manage the risks to which they are exposed through the ongoing transitions, operate within the boundaries of the safe zone or have the required path to the safe zone, but do not create positive impact;

C) Transition – Adaptive: Entities that (still) operate outside the boundaries but are already close to the required transition path are considered to be adaptive. They have the capacity to adapt to the material and operational risks that the transitions entail. It is expected that these companies will soon reach the required route to the safe zone;

D) Transition Zone – At Risk: Entities that operate outside the boundaries and do not operate on the required transition path and have unmanaged risks are considered at risk. They currently lack the adaptive capacity to prepare for the material risks associated with the transitions and are therefore vulnerable to operational risks. However, with some extra effort they can develop this capacity and reduce their risks;

E) Transition Zone – Non-adaptive: Entities that operate outside the boundaries, far away from the required transition paths, and that lack the capacity to bring risk management up to standards are considered non-adaptive. These entities lack good management strategies with regard to material topics, are exposed to high risks and therefore run serious operational risks in the short to medium term.

The allocation to one of the categories A to E depends on a) the entity's risk exposure of operating outside the safe and just zone and b) its adaptive capacity to make the transition towards operating within these limits. The risk exposure indicates to what extent an entity is vulnerable to the ESG risks of operating outside the safe zone. Examples of assessment criteria include the carbon intensity of the products and services a company provides, location of operations, the nature of those operations and the management of supply chain risks. The adaptive capacity is based on strategies, policies, targets, implementation and demonstrated performance of companies and sovereigns to manage the risks from operating outside the safe and just zone. Higher scores on adaptive capacity indicate greater capacity to manage exposure risk. Exposure and capacity are assessed for each driver if material to sector of a company.

SRLEV's Asset Manager (ACTIAM) has implemented procedures and internal controls to ensure compliance to its policies. In this approach, different departments and committees have their own specific duties and responsibilities.

ACTIAM's Sustainability & Strategy team is responsible for policy development, drafting annual strategic action plans and for the proper execution of the available instruments. In the development and execution of its policies, the team is fully independent and reports directly to the Chief Executive Officer of SRLEV.

To ensure compliance with the policies, decisions are challenged by independent committees within Athora Netherlands:

- Selection Committee: Changes to the sustainability policy and the categorisation of entities are proposed by the ACTIAM's Sustainability & Strategy team but not implemented before formal approval from Athora Netherlands' Selection Committee (SELCOM). This committee consists of ACTIAM board members, the director of the Fund Management team, the director of the Sustainability & Strategy team as well as an independent ethics specialist that reviews and challenges the proposed decisions. The SELCOM meets at least four times a year.
- ESG score Committee: The ESG score Committee (ESCOM) decides on the implementation of the sustainability policy through the ACTIAM ESG scores, worst offenders, positive selection and green bonds. The ESCOM monitors whether the right companies are selected as worst offender, for positive selection or for green bond and subsequently receive the right premium on the Athora Netherlands ESG score. In addition, the ESCOM monitors the methodology by which the ACTIAM ESG scores are determined.
- Audit: Implementation and results of our Sustainability Policy are part of the SRLEV Annual Report.

Human Capital Risk

The year 2020 was marked by the sale of SRLEV to a new shareholder: Athora. A change of ownership can lead to insecurity among staff. In order to keep everyone on board, we informed employees as well as possible about the developments regarding the acquisition.

The impact of the change of ownership and employee split-off was closely monitored every month. For example, we continuously surveyed the state of the organisation and its employees to mitigate the loss of human capital in the process.

We can conclude that although the transfer of ownership and carve-out will have had an effect on employees, there is no indication that this has affected the parameters: Employee satisfaction, Absenteeism, Psychological safety and Willingness to change in 2020. Our staff turnover in 2020 progressed as planned and was in line with our Operational Plan and our employee satisfaction even increased to 7.6.

Furthermore, within SRLEV there is no room for unacceptable behavior, such as discrimination, abuse of power, aggression or sexual harassment. This principle is stated in our code of conduct 'Common sense, clear conscience'. We stand for equal rights and opportunities for everyone in our organisation, that is why we signed the LGBTI manifesto in 2018.

SRLEV also has a policy in place for unacceptable behavior, with preventive measures for unacceptable behavior, protection for those who report such behavior and information on how to report incidents.

Besides this, we have developed a new Diversity and inclusion policy that aims to create a culture of inclusion and equality, in which people are comfortable to voice their thoughts, come to shared understanding and develop innovative solutions, to ultimately create value for our customers, our shareholders and our employees.

SRLEV collects and uses personal data of its Customers, suppliers, business partners, employees and other Individuals in the context of its business activities as an insurer and financial service provider. Lawfully, fairly, transparently and securely handling of personal data is of key importance for SRLEV. Privacy is not only treated in our Code of Conduct, but it is also one of the integrity and compliance risk themes mentioned in the Compliance Charter. This Risk Policy Data Privacy ("Policy") describes how SRLEV deals with personal data including the controls to identify, monitor and deal with the compliance and integrity risks involved with privacy and how this will be implemented.

Human Rights Risk

Human Rights The UN Guiding Principles on Business and Human Rights, endorsed unanimously by the UN Human Rights Council in June 2011, underline the corporate responsibility to respect human rights. This responsibility, also affirmed in Principles 1 and 2 of the UN Global Compact and the OECD Guidelines for Multinational Enterprises, requires companies to avoid causing or contributing to adverse human rights impacts through their own activities, and to prevent, mitigate or remedy human rights impacts directly linked to their operations, products or services. The responsibility of companies to respect human rights refers, as a minimum, to the core internationally recognised human rights, contained in the International Bill of Rights. Depending on the circumstances, companies may need to consider additional universal human rights standards, for instance relating to the protection of the human rights of specific groups, such as indigenous peoples, women, persons with disabilities, and migrant workers and their families. SRLEV considers violations of the above mentioned international human rights mechanisms to be a violation of the Fundamental Investment Principles it adheres to. In addition, insufficiently protecting or even violating human rights, can directly lead to reputational damage and decreasing sales, creating a financial risk to investors.

For Companies

SRLEV periodically, at least four times per year, screens its investment universe on potential controversies of non-compliance with the above mentioned principles. Companies that do not comply with the Fundamental Investment Principles enter a three month investigative period during which the controversies are systematically assessed. As part of this assessment, SRLEV investigates the severity, nature and number of controversies the companies are involved in as well as the actions they take to remedy the situation and prevent further violations from occurring. Based on this, the company is either:

- Excluded if systematic and large scale non-compliance to any of the criteria proves that companies are incapable of preventing non-compliance from occurring in the future. When the decision is made to exclude a company and investments have already been made, these assets will be sold within thirty days.
- Included if the violations are of incidental nature and if the company takes sufficient actions to prevent comparable incidents from happening in the future, or;
- Engaged if the company has not taken sufficient action to prevent future incidents and if engagement with the company is expected to result in the necessary behavioural improvements. During the engagement period, a dialogue is started with the company to discuss options to remedy any real or potential violations of the Principles. If after a two year engagement period the company has taken appropriate action and proven to prevent further structural violations of the Fundamental Investment Principles, the company will be included in the investment period. If there is not sufficient progress after this period and compliance with the Fundamental Investment Principles is not reached, the company will be excluded. This approach ensures SRLEV only excludes

companies once it becomes clear that there is no ability to persuade or encourage them to change their behaviour.

For Sovereigns

As a starting point, SRLEV will not invest in any sovereign that repeatedly or systematically fails to uphold and protect the most basic of human, civic and political rights, such as those enshrined in the 1948 Universal Declaration of Human Rights, the 1966 International Covenant on Civil and Political Rights, and the 1966 International Covenant on Economic, Social and Cultural Rights. To help determine which sovereigns are failing to meet these obligations, all sovereigns are evaluated based on the well reputed indicators from the Freedom House's Freedom in the World report, which is an annual comparative assessment of political rights and civil liberties worldwide. Sovereigns that are deemed 'Not Free' by Freedom House will be excluded from investments.

In addition, in case Freedom House indicates that a country is 'Partially Free' or if there is a conflict area in the country which is labelled as 'Not Free' or 'Partially Free', an individual country assessment is conducted. In the latter case, the following rules are applied: if a disputed territory – within the borders of one country – is invaded, threatened, occupied and/or militarised by another country, then the first country is not necessarily excluded. The affected country does not have effective control over these areas. Countries that are considered 'Free' or 'Partially Free' are excluded from investments if it is obvious that such countries have effective control over the conflicted areas.

Anti-corruption and Bribery Risks

It is our policy to conduct all of our business in an honest and ethical manner. This is also expressed in the zero tolerance approach SRLEV takes to corruption and bribery. The prevention, detection and reporting of corruption and bribery are the responsibility of all those working for SRLEV.

SRLEV endorses the following conventions and principles: UN Convention Against Corruption, 2003, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997, OECD Guidelines for Multinational Enterprises and Principle 10 of the UN Global Compact.

SRLEV has a corruption and bribery policy in place. Closely related to the corruption and bribery policy, we also have a code of conduct, pre-employment screening policy, client integrity policy (AML, CFT and Sanctions regime), procurement policy, institutional conflict of interests policy, incident management policy and whistleblowing policy in place. These policies describe, among others, principles to counter corruption and bribery on which SRLEV must takes adequate measures.

The principles and measures as described in the policies are translated in business controls and management controls. Among others the controls are related to:

1. the due diligence of employees, third parties, closely related stake holders and clients;
2. accepting and providing of gifts, hospitality and donations;
3. financial record keeping;
4. training and awareness of employees;
5. whistleblowing and hotline incident reporting mechanisms;
6. yearly business risk analyses on corruption, bribery, conflicts of interests and client integrity.

Based on the yearly risk analysis, SRLEV considers the risks of corruption and bribery of non-senior management, geographical factors, sector, product or transaction factors relatively low. Senior management (network and family related risks), procurement, account management, marketing & communication departments (third party risks) are considered the most vulnerable positions when it comes to corruption and bribery. If a case of bribery or corruption were to occur, it could lead to operational costs, reputation damage and damaged relations with stakeholders. The findings from the analysis performed are taken into account in the business control measures.

SRLEV has no explicit quantitative performance key risk indicators with respect to corruption and bribery (besides of incident reporting, employee conduct, institutional conflict of interests key risk indicators). In 2020, SRLEV has not detected and reported any forms of corruption and bribery.

Anti-money Laundering and Sanction Regulations Risks

SRLEV analyses the risks related to money laundering, terrorist financing and sanction regulations on the basis of a systematic integrated risk assessment annually.

In 2020, several gaps were (re)identified concerning the identification and verification of clients, (enhanced)CDD, mitigating actions corresponding to the risk classification of clients, transaction monitoring, sanctions list screening, senior management reporting and record keeping. These gaps were previously shared with the regulators. Product and Functional Lines are working in close cooperation towards a sustainable solution. The Compliance department monitors, risk based, the effectiveness and implementation of policies. Key risk indicators with regard to the number of high risk classified clients and/or business partners and the percentage of CDD reviews and sanctions lists screenings performed will be active from 2021.

3.5 BUSINESS PERFORMANCE

The Strategy Review that was conducted in 2020, has resulted in a new organisational structure that has been in effect since November 2020. For most of the year, however, work was carried out in the Product Line structure that applied before. SRLEV has two product lines. Supported by staff services, each product line developed products and services for specific target groups and served customers through various brands. The product lines worked closely together to jointly tackle overarching themes.

3.5.1 Life Corporate

For most of our customers, a carefree pension is a major goal in life. At SRLEV, we believe that a good pension is inextricably linked to a sustainable world. That is why we use the concept of responsible pension. We want our clients to have sufficient income on their retirement date to live well, in a world worth living in. That is what the product line Life Corporate is committed to.

The interests of our customers are explicitly taken into account in every decision that is made about our propositions. We offer our customers insight, so that they have a good understanding of the product or service in relation to their own situation. We also provide customers with a degree of freedom by offering them different choices to tailor each proposition to their needs. And we ensure that every proposition is sustainable, namely future-proof and / or adaptable to changing future needs.

Responsible Pension

All pension-related assets are invested responsibly. Most of our assets are managed by our asset manager ACTIAM. We adhere to their ESG philosophy and in 2020 we took further steps to improve the sustainability of the funds in which the Defined Contribution premiums are invested. The companies in which we invest through the Zwitserleven World Equity Fund are assessed to see whether they are able and willing to adapt and prepare for social changes such as the energy transition. If they are reluctant or refuse to do so, we will exclude them from future investments. In addition, the investment policy takes into account ESG scores, water footprints and carbon footprints of companies in which it invests. The tightening of the investment policy is expected to lead to a decrease of approximately 25% of the companies in which investments are currently being made.

The ESG scores, the carbon scores and the use of water of the investment funds are publicly available on the Zwitserleven website.
(https://www.zwitserleven.nl/over-zwitserleven/verantwoord-beleggen/esg-scores/).

Objectives for 2020

In 2020, Life Corporate again set itself the primary goal of continuing to work on higher customer satisfaction. An important means of achieving this is by ensuring that our communication is easy to read, both in Dutch and in English. This also includes improving our portals and our daily communication. We also planned to make complete new proposals for our DC product. Because 2020 would be marked by a new strategy, due to the change in share ownership we prepared to shift to work with multidisciplinary teams. Several product and system improvements were also planned that should result in more automated customer-based pricing. The intention was also to develop a new quotation platform.

Achievements in 2020

Business and Acquisition

Forced to work from home due to the COVID-19 crisis, sales pitches and creative sessions had to take place online. Nevertheless, we have had a successful year in terms of our commercial results and our service level. The ambitious new business targets were amply exceeded. The total recurring premium of new business pension contracts amounts to €43.4 million (including Zwitserleven PPI). The lumpsum income from annuities amounts to € 300 million. Our customer retention rate remained at the high level of 84% in 2020 (2019: 87%), and we maintained a high level of new business market share at 20%.

Once again, we managed to improve our service levels, leading to new contracts implementation within two weeks and backlog of work at an all-time low. The PPI has performed very well. In spite of fierce competition in the Defined Contribution market, the PPI has achieved considerable growth with the 'Zwitserleven Nu' pension plan. Assets under management have almost doubled from € 585 ultimo 2019 to € 1,042 million ultimo 2020. The volume of recurring premium (including risk premium) has grown from € 159 to € 219 milion respectively.

Relationship Management Events

Due to the COVID-19 outbreak, we had to postpone our annual Pension Event. For other events we successfully made the switch to digital events.

Instead of three regional events, we organised one online event for participants in the age of forty to fifty-five years. Participants were informed about the choices in pension build-up and about current developments in the field of pensions and what these might mean for future income. This live session was attended by 825 participants.

During the Pensioen 3-daagse we organised a webinar for participants who are about to retire, to inform them about what to expect when they actually retire. More than 667 participants took part in this webinar.

We intend to organise more online events and small-scale expert sessions for specific target groups. The webinar for distribution partners about our new strategy is a good example of an expert-session.

New and Enhanced Products

In 2020, Life Corporate enhanced its products and portals within the brand Zwitserleven:
1. To help employers to digitally activate their employees, Zwitserleven started a programme in 2019 to encourage additional savings ('bijsparen'). The programmatic approach of creation and testing resulted in a new easy to use tool that was tested in a successful trial. Further development and roll-out to all customers is planned for 2021.
2. Zwitserleven PPI has launched a white label tool for advisors. The tool enables advisers to offer a low-threshold basic pension scheme via their own website and under their own brand, mainly to young and small companies that are not currently building up pension.
3. We made several improvements to simplify things for our customers and also have a positive impact on the environment. Customers can now digitally sign the administration agreement of their pension scheme and can choose to receive their invoices digitally. And in our renewal process we started sending letters by registered email.

Acknowledgements

Zwitserleven is proud to repeatedly get acknowledgement for its products and investment policy. In the 2020 survey of the Fair Insurers Guide ('Eerlijke verzekeringswijzer'), we have improved on no less than eight topics, with number one scores on climate-related themes such as climate change, forestry and nature. We are also proud of our asset manager ACTIAM, that has qualified as World Leader 2020 by the Principles for Responsible Investments (PRI).

Challenges

The pension market remains highly competitive and margins remain thin. Uncertainty about the effects of the pension agreement ('pensioenakkoord') makes it more demanding to convince potential customers to choose our products. In 2021, a major reorganisation will take place as a result of the Strategy Review. Life Corporate will be transformed into Pensions and multidisciplinary working will be introduced. Zwitserleven's product portfolio lacks a variable annuity, which is challenging due to the legal complexity of this product. The roll-out is now focused on 2021. Also, the COVID-19 pandemic will bring some degree of uncertainty into our work, as it does across the company.

3.5.2 Individual Life

In daily life there are many situations for which consumers or entrepreneurs are not always prepared. However, many uncertainties can be eliminated with the right insurance. Within Individual Life, insurances are developed and offered that enable our customers to run their business with confidence or lead a carefree life. For annuity insurance, endowment insurance, term life insurance and funeral insurance, customers can turn to our Reaal brand.

Objectives for 2020

In 2020, Individual Life continued to build on the strategic choices made in previous years. Such as structural and sustainable improvement of our processes, making our services more efficient and optimising our product range. We remained true to our goal of increasing sales by strengthening our product positioning and capturing growth opportunities, and transforming into a more digital and data-driven organisation.

Achievements in 2020

Organisational Aspects

In 2020, we continued to work on our business automation project (Pega) to reduce manual work flows. The total handling time and lead time for all our processes has been reduced even further. The implementation of improved online self-service options has significantly reduced the influx of customer requests from distribution partners and customers.

We have also paid a lot of attention to legal and regulatory compliance (License to Operate), particularly anti-money laundering and sanctions regulations. We attach great importance to compliance and awareness within SRLEV and the partners we work with. That is why we continuously check whether our working method is still sufficient and revise it where necessary. In addition, we have continued our efforts to keep the General Data Protection Regulation (GDPR) at the foreground. Precautions have been taken to introduce the EU Sustainable Finance Action Plan into our products.

Products

Our brands have a significant market share on life insurance products, especially in Term Life (ORV) and Immediate Annuities (DIL). Especially in the direct channel we see an increase in total market production. We have successfully conquered a large part of this market with online marketing campaigns for both selling products.

In the field of funeral insurance, we continued a campaign to inform existing customers about their possible under insurance and to encourage them to review if their situation still met their needs. Other than in 2019, when we mainly addressed customers without a distribution partner, we this year collaborated with distribution partners to inform their customers as well.

For unit-linked insurances, we continued to approach customers that we were unable to reach before and tried to activate customers with a new non-accruing policy (NOP). We also set up a system to identify vulnerable customer groups for our activities in 2021 and beyond. In addition, we launched an information and awareness campaign for profit-sharing endowment insurance. The aim is to make customers aware of the risks of falling capital market interest rates for profit sharing so that they can then take action when needed.

In 2020, the ‘Lekker Wonen Hypotheek’ was our selling mortgage product. Thanks to our up-to-date underwriting criteria, we have been able to help many customers fulfil their housing requirements with a mortgage for a home in the Netherlands for their own occupation — both with and without the NHG conditions. The mortgage market is still very competitive. Partly due to market developments, interest rates have fallen among all active mortgage providers. With our competitive interest rate positions and market conditions, we have been able to achieve our market share.

At the request of the AFM, we paid attention to customers with an interest-only mortgage. After activating all clients in the potential highest risk categories in 2019, we managed to activate new clients in 2020 who entered the potentially highest risk segment in 2020. We have also developed tools to monitor other (potential) risk segments; these are part of our reporting to the AFM. A plan of continuous aftercare for interest-only mortgages describes the approach per risk segment in 2021. Actions and recommendations of the AFM are taken into account.

The activities of Individual Life were of course also influenced by COVID-19 in 2020. Efforts have been made to address the problems experienced by customers as a result of COVID-19, e.g., customers with payment problems. We have mitigated this challenge by offering customers a personalised payment plan.

Challenges

For years, Individual Life has faced the challenge that the market for individual life insurance is shrinking and is expected to continue shrinking. To keep costs competitive per policy, it remains important to reduce costs. Management is taking appropriate actions to ensure the departure of employees following the restructuring of our organisation has no negative impact on performance and ultimately, our customers.

3.6 FINANCIAL RESULTS

Net Result IFRS decreased by € 358 million compared to 2019 mainly driven by an increase in the LAT shortfall in 2020 of € 165 million versus a release of the LAT shortfall of € 64 million in 2019. Net Result IFRS 2020 was further negatively impacted by € 140 million (after taxes) from an additional longevity re-insurance transaction and € 36 million (after taxes) restructuring costs.

Financial Result per Segment

LIFE CORPORATE		
In € millions	**2020**	**2019**
Result		
Gross Premium Income	1,093	1,086
Direct Investment Income	675	749
Operating expenses (excluding Restructuring costs)	93	98
Restructuring costs	22	-
Net Result IFRS	-160	171
Net Underlying Result	**172**	**187**

Life Corporate had another strong commercial year resulting in a gross premium income of € 1.09 billion which was in line with 2019. The production of immediate annuities reached an all-time high of € 300 million. Despite the challenging market environment, the retention rate remained high at 84% as well as the new business market share being maintained at 20%.

Excluding the impact of restructuring costs of € 22 million, costs were € 5 million lower compared to previous year, underpinning the focus on cost control.

Net Underlying Result decreased by 8% to € 172 million compared to 2019. Net Underlying Result is primarily driven by a lower investment income resulting from the rebalancing of the investment portfolio at the end of 2019, which was partly offset by an improvement of both technical and cost results.

The LAT impact on the Net Result IFRS was € 165 million negative, compared to € 64 million positive in 2019. Additionally, Net Result IFRS of Life Corporate in 2020 was negatively influenced by a € 140 million one-off item related to the additional longevity transaction. This negative effect was partly offset by € 57 million relating to the recalculation of the DTA-position.

INDIVIDUAL LIFE		
In € millions	**2020**	**2019**
Result		
Gross Premium Income	669	762
Direct Investment Income	434	489
Operating expenses (excluding Restructuring costs)	77	81
Restructuring costs	26	-
Net Result IFRS	132	159
Net Underlying Result	**130**	**122**

Gross premium income decreased by 12%, or € 93 million caused by the shrinking Dutch individual life market and lower sales of immediate annuities compared to previous year. Nevertheless, in the last quarter of 2020 the production of immediate annuities increased and reached a level of € 60 million at year-end. The strategy review affirmed that immediate annuities will remain an important product for SRLEV. From 2021 onwards, this product will be offered under the Zwitserleven-label benefiting from the strong brand recognition.

Direct investment income decreased further in 2020 compared to 2019, as a result of a shrinking portfolio in combination with the low interest rate environment.

Excluding restructuring costs, operating expenses were € 4 million lower due to continuous cost saving measures, including digitalisation efforts.

Net Underlying Result increased by 7% to € 130 million, driven by an improvement in the technical result which was partly offset by a decrease in the cost result due to a decline in cost loadings.

Net Result IFRS 2020 of € 132 million was impacted by € 26 million of restructuring costs.

Balance Sheet

Total assets of SRLEV increased by € 6 billion to € 64.0 billion. The increase in 2020 mainly consists of an increase of investments for own account of € 2.3 billion, investments for account of policyholders of € 0.3 billion, investments for account of third parties of € 0.9 billion and derivatives of € 2.3 billion.

Main inflows originated from higher received cash collateral for derivatives and increased prices of investments due to decreased market interest rates.

Investments for account third parties increased € 0.9 billion as result of merging ACTIAM fund and higher equity prices.

Shareholders' equity increased due to a capital injection of € 200 million and € 100 million Tier 1 Capital loan by its parent company Athora Netherlands NV.

Total liabilities of SRLEV increased by € 5.6 billion to € 60.3 billion, mainly due to the increase of insurance liabilities and amounts due to banks.

Insurance liabilities increased in 2020 mainly as a result of decreased market interest rates.

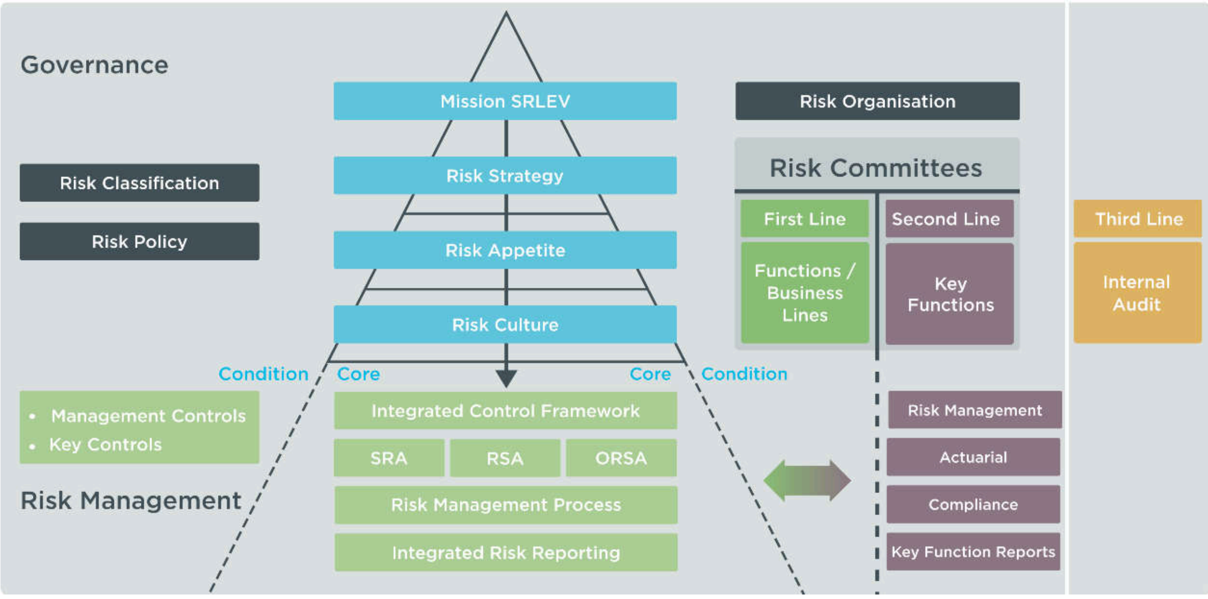
Amounts due to banks increased mainly as a result of higher received cash collateral for derivatives.

3.7 RISK AND CAPITAL MANAGEMENT

Risk and capital management is more extensively described in Chapter 7 'Managing Risks' in the consolidated financial statements.

Risk Management System

SRLEV implemented a consistent and efficient risk management system in which specific Solvency II requirement such as the key functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. It operates an integrated approach, with risk management integral part of the decision making process.



Risk Management

The core of the Risk Management System consists of a Governance part and a Risk management part. In the governance part, starting from the Athora Netherlands mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the first line product and functional lines and the second line key functions use the same risk classification, operations are covered by the Risk Appetite and are aligned by a policy structure. Decision making is in line with the Risk Policy and Risk Appetite of SRLEV.

Risk Strategy

SRLEV has derived a risk strategy, a supporting set of objectives following from the Athora Netherlands mission to achieve the strategic goals. The Risk Strategy is expressed in the Risk Appetite. As main principles SRLEV has defined a robust capital position, a sustainable capital generation and sound and controlled business operations. SRLEV provides guarantees for future payments to its customers and therefore SRLEV needs a strong capital position. The Executive Board would like to hold a buffer above regulatory capital requirement to absorb temporary volatility and provide more certainty to its customers.

Risk Appetite

The Risk Tolerance in the Risk Appetite is set at least annually and is subsequently translated into practical risk objectives. Risk appetite is defined at Athora Netherlands level. Subsequently it is elaborated for risks on the individual legal entity level or specific Business Lines or Functions in the form of individual quantitative risk limits and qualitative constraints. The limits are measurable; the qualitative constraints are observable. When implementing the strategy, the Executive Board gives guidelines to the product lines for establishing Operational plans, taking into account the set risk appetite and corresponding limits. With those objectives and constraints as starting point, the product lines optimise risk and return by developing the best possible products and services.

Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. SRLEV has awareness programmes in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. Furthermore, SRLEV ensures that senior management and employees on key functions are fit and proper to fulfill their job. Finally, Athora Netherlands's remuneration policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

Risk Organisation

Athora Netherlands implemented the 'Three Lines of Defence' control model (3LoD) including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimisation and integration of the risk management.

Integrated Control Framework

The Integrated Control Framework (ICF) is SRLEVs internal control system and is part of its Risk Management System. The ICF forms the basis for sound and controlled operations within Athora Netherlands and monitors Process Controls and Management Controls. The basis of the ICF and the GRC tooling was implemented in the period 2015-2017. Like in the previous years also in 2020 new initiativeswere taken for further improvements. Based on an analysis of all the individual areas within the ICF a comprehensive program has started where all the stakeholders are involved. The focus of this program is to strengthen the fundament of the ICF, namely the quality of process risk assessments, process- and key control design and change procedures. This program continues in 2021 and will help Athora Netherlands to develop and change in a sound and controlled manner.

Underwriting and Investment Management

SRLEV assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio. SRLEV mitigates underwriting risks primarily by means of diversification and reinsurance. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the insurance company. As part of optimising the risk profile, SRLEV has concluded an additional longevity risk transfer on a different part of the group life portfolio.

The starting point for the ALM policy is the Balance Sheet Assessment (BSA), which is drawn up annually. The BSA seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, laws and regulations. This BSA is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM, taking into account the risk tolerances in the Risk Appetite Statements (RAS), solvency ratio, the tax position and the long-term risk exposure. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital. Investments are made in accordance with the prudent person principle taking into account the interests of the policyholders. The prudent person principle is part of the ALM policy. Investments are made exclusively in assets and instruments whose risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

Developments Non-financial risks

In 2020 the management of the non-financial risks focused on five main developments, 1) the change of ownership of Athora Netherlands, 2) the Migration of P&C to NN, 3) remediation program Sanctions AML, 4) ICF improvement program and 5) the activities that are related to that, and the impact of COVID-19 crisis on the organisation. In order to maintain a sound and controlled organisation, the associated risks were addressed, managed and monitored within the SRLEV risk management procedures.

When the COVID-19 crisis forced our employees to work from home, SRLEV turned out to be well prepared. Working from home was already common, and DTC was able to scale up in a short term for the whole organisation. Business continuity and productivity were not significantly impacted, extra management attention was given and there was little impact on sick leave or absenteeism.

In 2020 DTC has been successful in increasing the efficiency of the IT processes by further improving the implemented Agile way of working. The implementation of new IT-frameworks will help DTC to further improve efficiency and effectiveness. Digitalization and process automation are still key focus areas. SRLEV is aware that these developments require high standards of change management and service delivery management within the IT department in order to maintain an IT landscape that is in control and is managing IT risks. Compliance with regulations and legislation is key and IT Risk Management is at the right level to monitor and mitigate risks. A very low number of incidents and very high availability of the business application show the success of these high standards.

Cybercrime risk increases over time and is becoming more widespread and professionalized, for example cyber-attacks using ransomware or in supply chains. In 2020 no major incidents related to cybercrime occurred within SRLEV. Cybercrime will remain high on the agenda of the Athora Netherlands Board and Risk Boards. To manage the increasing risk effectively in 2020 extra measures related to prevention, monitoring and incident response have been implemented. Several phishing campaigns were executed to promote awareness for the behavioral aspects of cybercrime. Also additional measures for threat and patch management were taken. A cybercrime plan for 2021 has been drafted and SRLEV will keep on focusing on mitigating this risk.

In 2020, SRLEV updated the compact model risk overviews for several departments to maintain good insight in its model risk. Model risk was further reduced by follow-up of second line findings via improving models. Within the model landscape important steps towards lower model risk have been taken by improving models and systems. Ongoing model validations on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

Capital Position

The Solvency II ratio of SRLEV remained stable at 163%.
The main items driving the change in the Solvency II ratio were:

- SRLEV received € 300 million capital from Athora Netherlands in the form of a € 200 million share premium contribution and a € 100 million Tier 1 loan, which had a positive impact of 12%-point.
- Coupon payments on subordinated debt had an additional negative impact of 2%-points.
- The capital injection enabled SRLEV to further reposition its asset portfolio towards higher returning investments. SRLEV used the market conditions in the first half of the year to invest in € 5 billion of targeted high-quality investment grade and predominantly senior credits with the aim to increase investment income. As spreads tightened in the second half of the year SRLEV reduced the exposure to high-quality investment grade credits. Considered throughout the year, the impact of the repositioning of the asset portfolio on the Solvency II ratio was -/-8%-point.
- Capital generation was -/-3%-point, due to the decrease in interest rates and the negative impact of the UFR drag increased.
- Market impacts had a negative impact of 1%-point on the Solvency II ratio. The decrease in interest rates had a positive impact, however, this was more than offset by the impact of spread and other movements. The Volatility Adjustment (VA) of 7 bps at the end of 2020 was equal to year-end 2019.
- In December 2020, SRLEV signed a longevity reinsurance transaction that had a 6%-points positive impact on the Solvency II ratio of SRLEV.
- The interest rate shock used to calculate the SCR interest rate risk switched from the interest up to the interest down scenario. This resulted in a decrease in diversification benefits when calculating the SCR with a negative impact of 8%-point. This impact is partly offset by the yearly update in insurance parameters (+/+ 5%-point), which was driven by lower population mortality improvement rates as published by the Actuarial Society of the Netherlands (Actuarieel Genootschap).
- The decrease in the level of the UFR with 15 bps to 3.75% had a negative impact of 3%-point.

SOLVENCY II POSITION		
In € millions/percentage	2020[1]	2019[2]
Total eligible own funds	4,023	3,697
SCR	2,463	2,275
Solvency II ratio	163%	163%
1 Regulatory Solvency II ratio 2020 is not final until filed with the regulator		
2 Figures as filed with the regulator		

Capital Management

Capitalisation refers to the extent to which SRLEV has buffer capital available to cover unforeseen losses and to achieve the strategic objectives of the company. SRLEV manages its capitalisation within limits set in the Risk Appetite Statement. Annually target setting happens in the Operational Plan culminating in a Capital & Funding Plan. Monthly and quarterly forward looking monitoring enables SRLEV taking timely action if capitalisation would deteriorate. SRLEV assesses its capitalisation regularly with respect to level and quality in the ORSA and with respect to risk / return in the Balance Sheet Assessment.

SRLEV aims for a robust and strong capital position in accordance to its risk profile, which contributes to both the confidence that clients have in the institution and access to financial markets. SRLEV deems a solvency ratio between 140% and 200% as a normal going concern level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet requirements. The second objective of the Capital Policy is to ensure capital is used as efficiently and flexibly as possible to facilitate the implementation of SRLEV's strategy.

A preparatory crisis plan exist which describes the procedure that applies in a contingency situation. A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of SRLEV. In its Risk Appetite, SRLEV has defined specific triggers that determine whether a contingency situation exists. The COVID-19 Outbreak might lead to a contingency situation and SRLEV is currently monitoring the potential impact of COVID-19 on its capital and Solvency II ratios, however at the moment based on the current solvency position no contingency situation is identified.

The ORSA is an integral part of SRLEV's management control cycle. It is input for the operational plan and capital management and is used in determining the risk appetite. The ORSA 2020 concludes that SRLEV's risk profile is well reflected in the SCR standard formula and solvency is adequate.

Solvency II

Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks play a central role. The financial requirements reflect the risks to which insurers are exposed. Moreover, Solvency II aims to be in line with market developments and the internal risk management systems used by insurers.

SRLEV discloses its solvency position and financial condition on a Solvency II basis by means of public reports as required by law. Solvency II applies to the supervised insurance entities and also to the consolidated activities of SRLEV.

SRLEV calculates its position under Solvency II using the standard formula, applying the VolatilityAdjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. SRLEV does not apply the Matching Adjustment.

The internal risk limit for the Solvency II capital ratio on SRLEV level amounts to 140%. When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Capital Requirement. Tax offsetting (Loss Absorbing Capacity of Deferred Taxes) in the SCR is applied at 0% for SRLEV.

The classification of the hybrid capital of SRLEV NV (outstanding on 31 December 2020) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

Managing Sensitivities of Regulatory Solvency

In addition to underwriting risks, important market risks are interest rate risk and spread risk (credit spreads). Sensitivity to interest rates is measured by means of among others parallel movements in the yield curve.

The Ultimate Forward Rate (UFR) of 3.75% prescribed by the European Insurance and Occupational Pensions Authority (EIOPA) also introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year. This will have a negative impact on solvency and IFRS results .

The solvency of the Life Insurance portfolio is sensitive to changes in the parameters used for calculating the value of insurance liabilities. These relate to mortality risk, longevity risk, expense risk and surrender risk, since these insurance risks proved to have most impact on the calculation of SCR.

Quantitative information about risks and related sensitivities for both Solvency II and IFRS have been described in Chapter 7 ‘Managing Risks’ in the consolidated financial statements.

4 CORPORATE GOVERNANCE

4.1 SHAREHOLDER

Athora Netherlands Holding Ltd. is the sole shareholder of Athora Netherlands NV, since April 2020. SRLEV NV is a wholly owned subsidiary of Athora Netherlands NV.

4.2 THE EXECUTIVE BOARD

The Executive Board is responsible for the strategy and operations of Athora Netherlands. The Executive Board carefully weighs the interests of all stakeholders and acts in the interests of Athora Netherlands.

Composition, Appointment and Role

Athora Netherlands applies the full large company regime under which the members of the Executive Board are appointed by the Supervisory Board. Only the Supervisory Board may suspend or remove a member of the Executive Board.

The Executive Board as of 31 December 2020 consists of the following members:

COMPOSITION, APPOINTMENT AND ROLE			
Name	Nationality	Position	Date of appointment
R.H. (Tom) Kliphuis	Dutch	Chief Executive Officer	1 April 2020
Y. (Yinhua) Cao [1]	Chinese	Chief Financial Officer	23 October 2015
A.P. (Annemarie) Mijer	Dutch	Chief Risk Officer	1 July 2020
A. (Angelo) Sacca	Italian	Chief Strategy & Commercial Officer	1 April 2020
S.A. (Stefan) Spohr	Swiss	Chief Operating Officer	1 April 2020

1 Yinhua Cao will step down as Chief Financial Officer and member of the Executive Board of Athora Netherlands N.V., effective on 1 May 2021.

On 31 January 2020, J.J.T. (Ron) van Oijen stepped down as Chief Executive Officer. On 1 April 2020, X.W. (Xiao Wei) Wu stepped down as Chief Transformation Officer, L. (Lan) Tang stepped down as Chief Risk Officer, W.M.A. (Wendy) de Ruiter-Lörx stepped down as Chief Commercial Officer, and J.C.A. (Jeroen) Potjes stepped down as Chief Operating Officer.

R.H. (Tom) Kliphuis - Chief Executive Officer

Tom Kliphuis (1964) was the chair of the Board of Directors for the Coöperatie VGZ since 2014 until his appointment as CEO of Athora Netherlands. Mr. Kliphuis started his career at ING / Nationale Nederlanden and worked in various management positions. From 2000 to 2011, he was responsible for the insurance and pension activities of ING Insurance in Mexico, Chile and Central and Southern Europe respectively. Mr. Kliphuis was also CEO of Insurance at ING Benelux from 2011 to 2013.

Y. (Yinhua) Cao - Chief Financial Officer

Yinhua Cao (1975) holds a bachelor’s degree in international finance from the Shanghai University of Economics and Finance. Mr. Cao started his career in the financial service sector at PricewaterhouseCoopers in 1998. He was the lead audit partner for large insurance companies and asset management companies, and as the lead partner, he was also involved in various finance and solvency consulting programmes for insurers. His last position with PricewaterhouseCoopers was the partner of the financial service group. At Anbang, he commenced as managing director of Anbang Asset Management Hong Kong and finance director of the Anbang Insurance Group. Mr. Cao is also a member of the financial and economic committee of the Dutch Association of Insurers.

A.P. (Annemarie) Mijer - Chief Risk Officer

Annemarie Mijer (1970) holds a Master's Degree in Actuarial Mathematics. Mrs. Mijer joined from ABN AMRO where she served as Head of Central Risk Management. In 2015, she was appointed Chief Risk Officer and member of the Executive Board of Delta Lloyd Group. Prior to this, Mrs. Mijer held various senior leadership positions in ING Group and Nationale-Nederlanden. In April 2019, she was appointed as member of the Supervisory Board and Chair of the Audit Committee at Klaverblad Verzekeringen. Annemarie is a Certified Actuary of the Dutch Society of Actuaries and holds professional qualifications in Investment Analysis.

A. (Angelo) Sacca - Chief Strategy & Commercial Officer

Angelo Sacca (1977) holds a Master's Degree in Corporate Communications with Economics from Università degli Studi in Siena and is a certified Chartered Financial Analyst. Formerly a Managing Director in the Athora M&A team, he has led the management of the VIVAT transaction for Athora. He previously worked in the Financial Institutions Group at the M&A division of UBS and Greenhill & Co and as a Credit Analyst in the European insurance team of Standard & Poor's credit ratings. In the early part of his career, Mr Sacca worked as management consultant with a focus on the financial services industry.

S.A. (Stefan) Spohr - Chief Operating Officer

Stefan Spohr (1964) holds a Bachelor's degree in Economics & Political Science from Indiana University, Bloomington and a Master's Degree from Columbia University, New York. Previously, he was CEO Insurance Operations at Athora Germany. Mr. Spohr has significant operational and financial services experience garnered over many years as the Global Head of Industries at Willis Towers Watson, CEO UK & Ireland at BearingPoint and Partner at A.T. Kearney.

4.3 GOVERNING RULES

With the appointment of new members of the Executive Board on 1 April 2020, the gender balance in the Executive Board has changed from 60% men and 40% women to 80% men and 20% women. From a diversity perspective, in terms of age, background and nationality, but also experience in different settings a good balance has been maintained.

For future appointments of Executive Board members, SRLEV will take into account all laws and regulations and its diversity in terms of gender, age, experience, nationality and background. The principle of having at least 30% men or 30% women is applied in succession planning for the Executive Board, Supervisory Board and senior leadership.

As part of the continuing education programme of SRLEV, the Executive Board members participate in various education sessions. These sessions are sometimes attended together with the Supervisory Board members or with senior management of Athora Netherlands and are provided by internal and external speakers. The topics this year were limited due to the change in ownership of SRLEV and its strategy review. Nevertheless, the Executive Board has attended deepdives and masterclasses on engagement, capital management and risk appetite.

4.4 THE SUPERVISORY BOARD

The Supervisory Board is responsible for supervising the management of the Executive Board, the general business of Athora Netherlands, and providing advice to the Executive Board. Supervision includes monitoring the realisation of objectives, strategy, risk policies, integrity of business operations and compliance with laws.

The Supervisory Board may on its own initiative provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing its duties, the Supervisory Board weighs the interests of all stakeholders and acts in accordance with the interests of Athora Netherlands and the business connected with it.

Meetings of the Supervisory Board

The Supervisory Board meets on a regular basis in accordance with an annual schedule, which in practice implies two-day meetings every six weeks on average. Decisions of the Supervisory Board are taken by a majority of votes. The Supervisory Board has drawn up internal regulations that elaborate and expand on a number of provisions from the articles of association. These regulations set out additional powers. All members of the Supervisory Board have declared their acceptance of these regulations and have undertaken to abide by the rules contained therein.

Composition, Appointment and Role

The members of the Supervisory Board are appointed by the General Meeting upon nomination of the Supervisory Board. The General Meeting and the Works Council may recommend candidates for nomination to the Supervisory Board. The Supervisory Board is required to nominate one-third of the Supervisory Board members on the special right of recommendation ('versterkt recht van aanbeveling') of the Works Council, unless the Supervisory Board objects to the recommendation on certain grounds.

The Supervisory Board as of 31 December 2020 consists of the following members:

COMPOSITION, APPOINTMENT AND ROLE			
Name	**Nationality**	**Position**	**Date of appointment**
M.W. (Maarten) Dijkshoorn	Dutch	Chairman	23 December 2016
M.A.E. (Michele) Bareggi	Italian	Member	1 April 2020
F.G.H. (Floris) Deckers	Dutch	Member	1 April 2020
J.M.A. (Hanny) Kemna	Dutch	Member	1 April 2020
P.P.J.L.M.G. (Pierre) Lefèvre	Belgian	Member	26 July 2015

On 1 April 2020, M.R. van Dongen, M. He and K. Shum stepped down as members of the Supervisory Board. M. Dijkshoorn and P. Lefèvre were reappointed.

M.W. (Maarten) Dijkshoorn

Maarten Dijkshoorn (1950) is chair of the Supervisory Board and Conflict of Interest Committee and a member of the Remuneration and Nomination Committee, the Risk Committee and the Audit Committee. Mr. Dijkshoorn has worked in the financial services industry for more than forty years. From 2002 to 2009, Mr. Dijkshoorn was chief executive officer and chief operational officer of Eureko BV (Achmea). Prior to that, Mr. Dijkshoorn held various management functions within Nationale-Nederlanden for twenty-five years. He was supervisory board member of PGGM, Monuta and MediRisk, and he was chair of the supervisory board of de Goudse Verzekeringen NV.

M.A.E. (Michele) Bareggi

Michele Bareggi (1973) is the chair of the Renumeration and Nomination Committee and member of the Risk Committee. He is Chief Executive Officer of Athora Group and member of the Executive Boards of Athora Belgium NV, Athora lebensversicherung AG and Athora Life Re Ltd. Mr. Bareggi worked in the past as Managing Director at Morgan Stanley. He also held senior roles at Nomura Holdings, Lehman Brothers, JPMorgan and Credit Suisse First Boston.

F.G.H. (Floris) Deckers

Floris Deckers (1950) is a member of the Audit Committee and Risk Committee. Mr. Deckers worked in the past as CEO of Van Lanschot Bankiers and Senior Executive at ABN AMRO. In addition, Mr. Deckers has been chair of the Supervisory Board of Deloitte Netherlands as well as chair of the Supervisory Board of SBM Offshore. Mr. Deckers is currently a member of the Supervisory Board of Arklow Shipping Group Ireland, as well as for its Dutch subsidiary, and he is a board member of the Vlerick Business School in Gent and Leuven (Belgium).

J.M.A. (Hanny) Kemna

Hanny Kemna (1960) is chair of the Audit Committee, member of the Remuneration and NominationCommittee, Risk Committee and Conflict of Interest Committee. In addition to her function at Athora Netherlands, Mrs. Kemna is chair for the Supervisory Board of MN Services NV and vice chair of the Supervisory Board as well as Audit Committee Chair for Menzis. In addition, she is a non-executive director for ASA International, member of the Audit and Risk Advisory Committee to the Board of Géant and Extraordinary member to the board of the Dutch Court of Audit.

P.P.J.L.M.G. (Pierre) Lefèvre

Pierre Lefèvre (1956) is chair of the Risk Committee, member of the Audit Committee and Conflict of Interest Committee. After studying mechanical engineering and industrial administration, Mr. Lefèvre became internal auditor at Unilever before joining AXA Belgium NV in Belgium as a financial controller. He continued his career with AXA Belgium as general manager for Individual Life and later on as general manager for P&C Personal Lines. In 1994, he moved to AXA Insurance (United Kingdom) as chief executive officer of the P&C insurance business and was subsequently appointed chair of the board. In 1998 he was appointed as chair of the executive board of AXA Netherlands. Between 2002 and 2013 Mr. Lefèvre fulfilled various chief executive officer roles in subsidiaries of Groupama SA. Since 2013, Mr. Lefèvre has acted as independent non-executive director and chair of the risk committee of Hasting Group Holdings PLC. He also serves as an independent non-executive director and chair of the risk committee of Advantage InsuranceCompany Limited. Mr. Lefèvre is also a non-executive director of QBE Europe and chair of its Risk and Capital committee.

4.5 REPORT OF THE SUPERVISORY BOARD

Functioning of the Supervisory Board

The Supervisory Board aims to have a strong representation of diversity in terms of experience, gender, age, professional and cultural background. In accordance with the regulations of the Supervisory Board, the Supervisory Board considers complementarity, collegial collaboration, independence and diversity to be conditions for a proper performance of duties by the Supervisory Board.

With the appointment of new members of the Supervisory Board on 1 April 2020, the gender balance in the Supervisory Board has remained unchanged at 80% men and 20% women. The principle of having at least 30% men or 30% women is applied in succession planning for the Executive Board, Supervisory Board and senior leadership.

All members have confirmed the moral and ethical conduct declaration, which includes the need to make a balanced assessment of the interests of customers, shareholder, bondholders, employees and the society in which the company operates. The regulations of the Supervisory Board explicitly provide that the Supervisory Board shall strike a careful balance between the interests of the company's stakeholders, such as the clients of the company, shareholder and employees.

Self-assessment

The Supervisory Board carries out a self-assessment once every three years facilitated by an external consultant.In 2020, the Chairman of the Supervisory Board conducted individual interviews with the members of the Supervisory Board based on the outcome of a questionnaire that each individual board member filled out. The questionnaire was used as a supporting tool to evaluate the functioning of the Supervisory Board as a whole, the individual supervisory directors and their relationship with the Executive Board during 2020. The results of the questionnaire were discussed within the Supervisory Board and facilitated by an external consultant. The outcome of this self-assessment was in line with the expectations and actions have been taken where necessary.

Continuing Education

Members of the Supervisory Board are encouraged to maintain their expertise at the required standard and enhance it where necessary. This year, the Supervisory Board focused on risk management, financial reporting, Strategic Asset Allocation and Solvency II.

Important Topics and Key Discussions

The formal meetings of the Supervisory Board took place every six weeks (on average). Many additional meetings and conference calls were held. The attendance rate at meetings and committees is high, demonstrating the strength of the Supervisory Board's commitment. None of the Supervisory Board members were frequently absent at these meetings, meaning that there was always a valid quorum. During the formal meetings, the Supervisory Board was kept abreast of the strategy review, ALM, risk appetite and commercial developments. Furthermore, the Supervisory Board was informed about the discussions and the resulting recommendations from committee meetings of the Supervisory Board.

In 2020, the Supervisory Board discussed and approved several items, such as topics related to the sale of VIVAT (process, integration, Migration and Human Capital), Operational Plan, Employee Survey and and Strategy Review. During the sale process of VIVAT the Supervisory Board safeguarded the corporate interest and properly weighed the interest of all stakeholders involved in this process such as policy holders, shareholder, employees and its bondholders. In addition, a strong focus of the Supervisory Board has been the governance framework under which SRLEV operates and which is currently being further revised.

The Supervisory Board and the Chairman of the Supervisory Board have been in regular contact with other stakeholders such as the Dutch Central Bank (DNB) and Dutch Authority for Financial Markets (AFM) on these topics.

Cooperation with Committees

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. Each member of the Supervisory Board has sufficient knowledge and experience to assess the main aspects of SRLEV's policy and to form an independent opinion of the basic risks. Decisions regarding risk management and internal control are prepared and recommended by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees have been carefully composed with at least two members of these committees having knowledge of risk management / risk control and internal control / reporting, respectively.

- The Audit Committee discussed the audit scope, key audit matters, the external auditor's reports and the management letter of the external auditor. The independence of the external auditor and fees were also reviewed by the Audit Committee. The Audit Committee maintains regular contact with the external auditor through meetings between the chair of the Audit Committee and the external auditor. The Audit Committee discussed the annual plan and quarterly reports of the internal audit function and evaluated the functioning of Internal Audit. The Audit Committee noted and discussed SRLEV's consultations with DNB and considered the results of the on-site examinations conducted by the DNB.

- The Risk Committee discussed the profile of the financial and non-financial risks related to the approved risk appetite. This included capital developments, capital generation and investment policy. The structure and operation of the risk control system was discussed, including compliance with relevant legislation and regulations such as Sanctions law and Wwft. Furthermore, the Risk Committee discussed amongst others the impact of COVID-19 and Brexit.

- The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares decisions on remuneration regarding Identified Staff and employees in control functions. The ReNomCo members have sufficient expertise with regard to remuneration policies, culture and incentives. The Conflict of Interests Committee takes decisions with regard to institutional conflicts such as related party transactions. The meetings of the committee takes place in the presence of the Head of Legal, Compliance Key Function Holder and an external legal advisor to the committee. The committee is not a Supervisory Board committee but a separate committee whose regulations are governed by the conflict of interest policy. The topics of the conflict of interest committee include secondments and various investments.

The committees met in the presence of members of the Executive Board. The external auditors were represented by mutual agreement at all meetings of the Audit Committee and Risk Committee in 2020. Both the internal auditor and external auditor reported on the quality and effectiveness of governance, internal control and risk management. Cooperation between the Supervisory Board and the committees has been positive. The meetings of the committees elaborate on various subjects, so that the decisions of the Supervisory Board can be carefully prepared. The content of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure that the Supervisory Board members are kept fully informed and are well positioned to take wise decisions.

The Supervisory Board appreciates all the efforts made by the Executive Board and all employees in 2020 and looks forward to continuing this cooperation in 2021.

Amstelveen, the Netherlands, 24 March 2021
On behalf of the Supervisory Board,

Maarten Dijkshoorn, Chairman

4.6 REMUNERATION

Introduction

SRLEV NV is a full subsidiary of Athora Netherlands NV. All employees are employed by Athora Netherlands. The Group Remuneration Policy Athora Netherlands applies to all employees working under the responsibility of Athora Netherlands. The costs of employees appointed to SRLEV are charged to SRLEV by Athora Netherlands. The remuneration information in this paragraph is presented on Athora Netherlands level and as far as it applies to SRLEV.

The remuneration paragraph describes the principles, governance and elements of the remuneration policies (4.6.1). It also gives an overview of the payment of (variable) remuneration in 2020 (4.6.2), as well as the actual remuneration of the (former) members of the Executive Board and Supervisory Board (4.6.3).

4.6.1 Remuneration Policies

SRLEV's ambition

The primary objective of the remuneration policy is to enable SRLEV to recruit, retain and motivate employees and to stimulate high performance. The policy aligns with and strengthens its strategy and core values. It is prudent, moderate and sustainable and meets the requirements of its risk policy and applicable legislation and regulations. SRLEV ensures long-term value creation and has chosen to use three Sustainable Development Goals (SDG) as a guideline for further development of the Corporate Social Responsibility policy in business operations. One of these SDGs is linked to our HR principles for remuneration.

The Group Remuneration Policy Athora Netherlands applies to all employees working under the responsibility of Athora Netherlands NV including SRLEV NV. Besides the Group Remuneration Policy, specific remuneration policies are applicable to Above-CLA employees and Executive Board.

Principles

Every remuneration policy is based on the following principles:
- It supports SRLEV's corporate strategy, and is aligned with the mission and values of SRLEV;
- It is compliant with the applicable legal rules and regulations;
- It may not threaten SRLEV's ability to maintain an adequate capital base;
- It takes into account the interests of all stakeholders of SRLEV: customers, employees, shareholders and society;
- It is transparent, easy to understand and simple to execute;
- It is aligned with SRLEV's ambition to be a socially responsible and number one pension provider in the Netherlands;
- It fits the risk profile of SRLEV and of the relevant employee;
- It supports the attraction and retention of qualified employees that fit the job;
- It encourages high team and company performance; and
- It is gender and age neutral.

Governance

The members of the Executive Board and the members of the Supervisory Board of Athora Netherlands NV are also the members of the Executive Board and the members of the Supervisory Board of SRLEV NV. The Group Remuneration Policy was established by the Executive Board and approved by the Supervisory Board after, insofar as applicable, fulfilment of any rights of the Works Council. The Supervisory Board also supervises the implementation of the Group Remuneration Policy by the Executive Board.

Athora Netherlands' general meeting adopted the remuneration policy for the members of the Executive Board after consultation with the Supervisory Board. The Supervisory Board is also responsible for the implementation and evaluation of this policy.

The Remuneration Policy for Above-CLA employees was adopted by the Executive Board and approved by the Supervisory Board. The Supervisory Board also supervises the implementation of this policy by the Executive Board.

The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares all decisions on remuneration to be adopted by the Supervisory Board. The Group Remuneration Policy is published on our website: www.athora.nl.

The Remuneration Policies are based on and in line with the Financial Undertakings Remuneration Policy Act (Wet Beloningsbeleid Financiële Ondernemingen) which is incorporated in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht or **FMSA**), the Commission Delegated Regulation (EU) 2015/35 (**Solvency II**) and the Guidelines on System of Governance of the European Insurance and Occupational Pensions Authority (**EIOPA Guidelines**).

Identified Staff

Every year, Athora Netherlands designates members of staff as 'Identified Staff' on the basis of applicable laws, rules and regulations. In order to establish the list of identified employees, we use Solvency II regulation as of 2018.

Athora Netherlands has established a Working Group Identified Staff comprising of the directors of HR, Legal, Financial Risk, Non-Financial Risk and Audit (**Working Group Identified Staff**). The Working Group Identified Staff may provide and will at request provide input on any decision of the Executive Board and the Supervisory Board on the list of any Identified Staff as well as any decisions on remuneration in relation to Identified Staff.

Elements of the Remuneration Policies

Fixed Annual Salary
The fixed annual gross salary consists of a fixed annual gross salary, which includes a holiday allowance of 8% and a 13th month payment of 8.33% and, to the extent applicable, other fixed allowances. The annual gross salary is based on the applicable salary scales. According to the CLA, once a year an employee may receive a periodic increase in salary based on his or her performance in the previous year. The precise link between the competency assessment and the periodic increase, is as follows: Insufficient: 0.0%; Almost sufficient: 0.0%; Good: 2.6%; Very good: 3.3%; Excellent: 4.0%. Awarding this increase is also subject to financial criteria at the level of Athora Netherlands (knock-out).

The process regarding the annual salary increase for the Above-CLA employees follows the process as described above, applicable for the employees in the CLA. Increase of the salaries of the members of the Executive Board is only possible after adopting a proposal of the Supervisory Board in the general meeting of the shareholder, after adopting a proposal of the ReNomCo in the Supervisory Board.

Job functions at Athora Netherlands are independently evaluated. The outcome of this evaluation results in a certain salary scale for such function.

Total direct compensation is the total of fixed and variable remuneration (for SRLEV only the total of fixed remuneration as we abolished variable remuneration within Athora Netherlands), excluding benefits such as pension and allowances. We aim to provide total direct compensation levels for expected business and individual performance which, on average, are at the median of the markets in which we operate, benchmarked against relevant peer groups. To ensure we adhere to this policy, we monitor and benchmark salary levels. Fixed remuneration represents a sufficiently high proportion of the total direct compensation, which is in line with the level of expertise, years of experience and required skills.

Pension
Nearly all employees participate in the same pension scheme of Athora Netherlands. The current scheme is a Collective Defined Contribution (CDC) pension scheme, which is based on a pension accrual including an employee contribution of 4.5%. The scheme qualifies as a defined contribution scheme for IAS 19 purposes. The contributions are paid by Athora Netherlands and employees respectively as employer and employee contributions. For employees who were employed by Athora Netherlands as per 31 December 2017 and with a salary exceeding the maximum pensionable salary for pension accrual, a compensation of 16.35% on an employee's pensionable salary in excess of € 110,111 is applied. The permanent supplement payment is not pensionable and is not taken into account for the calculation of severance payments, including the transition fee (transitievergoeding) or any other wage components or benefits.

Variable Remuneration
As of 2018 Athora Netherlands abolished the performance related bonus in the CLA and abolished the variable remuneration for the Executive Board and Above-CLA employees (our Senior Management).

Retention & Sign-on Bonus
Athora Netherlands exercises great restraint when agreeing such arrangements as sign-on bonus or retention bonus. Such arrangements may be agreed only if they are approved in accordance with legislation, regulations and Athora Netherlands' governance.

Other Benefits
Depending on the position on the salary scale, Above-CLA employees and some (senior) managers are eligible for a lease car or a lease car allowance. As part of Athora Netherlands' commitment to sustainable investment principles, certain types of cars and certain brands are no longer included in this policy, however exceptions are made for 100% electric models.

Hold Back & Claw Back
Athora Netherlands has the power to hold back or claw back all or part of any variable pay awarded (Section 135 (6 & 8), Book 2 of the Dutch Civil Code in connection with FMSA Section 1:127 Subsection 2 & 3). Whole or partial hold back or claw back will take place in any case if the employee has not met relevant competence standards and standards for appropriate conduct, or was responsible for conduct that led to a considerable deterioration of the financial position of Athora Netherlands NV and/or SRLEV NV.

Severance Payment
If and insofar a severance payment is due to an employee, such payment will be equal to the transitional fee within the meaning of article 7:673 of the Dutch Civil Code unless (i) the relevant employee can benefit from a different arrangement as explicitly agreed upon in an applicable social plan or (ii) otherwise determined at the discretion of the Executive Board or, where it relates to Above-CLA employees and Identified Staff, the Remuneration and Nomination Committee and approved by the Supervisory Board. No severance payment is due and payable when a contract is terminated at the employees own initiative, by serious culpable conduct or neglect by the employee or failure of Athora Netherlands if the employee is considered day-to-day policy maker.
A severance payments to day-to-day policy makers, which includes also the members of the Executive Board, may not be in excess of 100% of the fixed annual gross salary.

Athora Netherlands has agreed upon an extension of Athora Netherlands' Social Plan until 2023 with the trade unions which is applicable in case of reorganisation(s).

4.6.2 Overview Remuneration 2020

Fixed Remuneration

According to the CLA Athora Netherlands (in 2020 CLA VIVAT 2018-2019) employees have received a periodic salary increase on 1 February 2020. There was no collective salary adjustment in 2020. The trade unions and Athora Netherlands started their negotiations for a new collective labour agreement in the summer of 2020. At the end of 2020 a negotiation result was accomplished for a new CLA 2021-2023.

Target Setting

The performance management cycle started with setting the performance targets in the first quarter of 2020 for the Executive Board and Above-CLA employees.

KPI's are used to monitor and track progress towards realisation of our strategic goals. The KPI's are fully aligned with the strategy and operational plan (OP); Above-CLA employees were asked to cascade their KPI's to their respective (management) teams. No more than 50% of the KPI's are financial. For the CFO, CRO and functional lines there is only a single financial KPI related to the direct costs of their respective departments. The KPIs were related to maintaining customer advocacy, sound and controlled organisation, a financial KPI and one or more individual KPIs. Besides KPIs also competences were set: result driven, change attitude and collaboration. Following the target setting for Executive Board and Above-CLA employees, employees set their KPIs and competences. These personal development skills (with a maximum of three) are chosen from the company's broad set of values with two general skills: result driven and customer focus.

For Identified Staff, specific rules apply for setting performance targets and KPIs, for determining the extent to which performance targets have been achieved, and for setting and paying variable remuneration. The performance targets and KPIs are subject to an ex ante and ex post risk assessment.

Variable Remuneration

In 2020, no variable remuneration was paid.

Retention & Sign-on Bonus

Due to the announced strategic review by the shareholder, at the end of 2018 Athora Netherlands offered a retention scheme to a group of employees. In 2019, a second retention scheme was offered to another group of employees. This also includes employees of SRLEV. The vesting and payment of these schemes are subject to certain conditions and law and regulations, which contains deferred payment for Identified Staff. Athora Netherlands received the approval of the regulatory authorities before offering these retention schemes.

In 2020, as the conditions were met, retention bonus and sign-on bonus were paid for a total amount of € 3.1 million to 105 employees within Athora Netherlands. This also includes employees of SRLEV. The retention bonus of the Identified Staff are partly paid in 2020 (60%) and will be partly paid in three deferred payments up to 2023 (40%).

Severance Payment

Our Social Plan 2020 is applicable for employees who became redundant in 2020. They received severance payments in line with this social Plan. The former members of the Executive Board received their contractual agreed severance payment which is in line with the applicable remuneration policy Executive Board and applicable legislation.

Number of Employees with a Remuneration Exceeding € 1 Million

In 2020, three employees received a total remuneration exceeding € 1 million (2019: one employee). The increase to three employees with a remuneration exceeding € 1 million is due to a combination of salary, retention bonus and severance payment.

4.6.3 Actual Remuneration (former) Members of the Executive Board and the Supervisory Board

Reference is made to Note 20 Related parties (Intragroup balances with key management personnel of SRLEV) for the actual remuneration of (former) members of the Executive Board and the Supervisory Board.

FINANCIAL STATEMENTS

5 CONSOLIDATED FINANCIAL STATEMENTS

5.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Before result appropriation and in € millions	Ref.[1]	31 December 2020	31 December 2019
Assets			
Property and equipment	1	38	50
Investments in associates	2	38	37
Investment property	3	521	458
Investments	4	41,176	38,837
Investments for account of policyholders	5	13,788	13,520
Investments for account of third parties	6	1,338	448
Derivatives	7	5,352	3,017
Deferred tax	8	587	442
Reinsurance share	14	27	46
Loans and advances due from banks	9	589	712
Corporate income tax		-	3
Other assets	10	246	228
Cash and cash equivalents	11	321	266
Total assets		**64,021**	**58,064**
Equity and liabilities			
Share capital[2]		0	0
Reserves		3,334	3,160
Total shareholders' equity		**3,334**	**3,160**
Holders of other equity instruments		350	250
Total equity	12	**3,684**	**3,410**
Subordinated debt	13	766	774
Insurance liabilities	14	51,341	48,868
Liabilities investments for account of third parties	6	1,338	448
Provision for employee benefits	15	219	198
Other provisions	16	17	15
Derivatives	7	1,080	674
Amounts due to banks	17	4,651	2,715
Other liabilities	18	920	962
Total equity and liabilities		**64,021**	**58,064**

1 The references relate to the notes to the consolidated financial statements in Section 6.3

2 The issued and paid up share capital of SRLEV NV is € 45,000.

5.2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In € millions	Ref.[1]	2020	2019
Income			
Premium income		1,762	1,848
Less: Reinsurance premiums		248	195
Net premium income	23	**1,514**	**1,653**
Fee and commission income		48	43
Fee and commission expense		17	17
Net fee and commission income	24	**31**	**26**
Share in result of associates		1	1
Investment income	25	1,096	1,240
Investment income / expense for account of policyholders	26	692	2,067
Result on investments for account of third parties	27	115	86
Result on derivatives	28	1,775	1,654
Total income		**5,224**	**6,727**
Expenses			
Technical claims and benefits	29	3,642	3,497
Charges for account of policyholders	30	1,306	2,492
Acquisition costs for insurance activities	31	15	17
Result on liabilities from investments for account of third parties	27	115	86
Staff costs	32	177	140
Depreciation and amortisation of non-current assets	1	2	2
Other operating expenses	33	39	37
Impairment losses (reversals)	34	11	-7
Other interest expenses	35	52	69
Total expenses		**5,359**	**6,333**
Result before tax		**-135**	**394**
Tax (expense) / benefit	36	-107	64
Net result continued operations for the period		**-28**	**330**
Attributable to:			
- Shareholders		-28	311
- Holders of other equity instruments		-	19
Net result continued operations for the period		**-28**	**330**

1 The references relate to the notes to the consolidated financial statements in Section 6.3.

5.3 CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Consolidated Statement of Other Comprehensive Income

In € millions	Ref.[1]	2020	2019
OCI not to be reclassified subsequently to profit or loss			
Changes in valuation of defined benefit pension plan	15	-22	-26
Income tax relating to items that never be reclassified	8, 37	5	6
Tax rate reduction adjustment relating to items that never be reclassified	8, 37	-	-1
Net OCI never reclassified to profit or loss		**-17**	**-21**
OCI to be reclassified subsequently to profit or loss			
Unrealised revaluations from cash flow hedges	37	59	97
Amortisation from cash flow hedges	37	29	-5
Unrealised revaluations investments available for sale	37	-130	636
Impairments and reversals fair value reserve	37	-2	3
Realised gains and losses fair value reserve transferred to profit or loss	37	405	14
Results on allocated investments and interest derivatives	37	-347	-756
Income tax relating to items that may be reclassified	8, 37	-3	2
Tax rate reduction adjustment relating to items that may be reclassified	8, 37	8	1
Net OCI to be reclassified to profit or loss subsequently		**19**	**-8**
Other comprehensive income (net of tax)		**2**	**-29**

1 The references relate to the notes to the consolidated financial statements in Section 6.3

Statement of Total Comprehensive Income

In € millions	2020	2019
Net result for the period	-28	330
Other comprehensive income (net of tax)	2	-29
Total comprehensive income (net of tax)	**-26**	**301**
Attributable to:		
- Shareholders	-26	282
- Holders of other equity instruments	-	19
Total comprehensive income	**-26**	**301**

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Total Equity 2020

In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Retained earnings	Sum reserves	Total shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2020	**0**	**2,264**	**2**	**894**	**3,160**	**3,160**	**250**	**3,410**
Other comprehensive income	-	-	19	-17	**2**	**2**	-	**2**
Net result 2020	-	-	-	-28	**-28**	**-28**	-	**-28**
Total comprehensive income 2020	**-**	**-**	**19**	**-45**	**-26**	**-26**	**-**	**-26**
Capital injection	-	200	-	-	**200**	**200**	-	**200**
Capital Subordinated Loan - Principal	-	-	-	-	**-**	**-**	100	**100**
Other movements 2020	**-**	**200**	**-**	**-**	**200**	**200**	**100**	**300**
Total changes in equity 2020	**-**	**200**	**19**	**-45**	**174**	**174**	**100**	**274**
Balance as at 31 December 2020	**0**	**2,464**	**21**	**849**	**3,334**	**3,334**	**350**	**3,684**

1 The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share for a total value of € 45,000.00.

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2019, no dividends on ordinary shares for 2020.

Consolidated Statement of Changes in Revaluation Reserves 2020

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2020	**2**	**-**	**-**	**2**
Unrealised revaluations from cashflow hedges	-	59	-	**59**
Amortisation from cashflow hedges	-	29	-	**29**
Unrealised revaluations investments available for sale	-	-	-130	**-130**
Impairments and reversals	-	-	-2	**-2**
Realised gains and losses through profit or loss	-	-	405	**405**
Results on allocated investments and interest derivatives	-	-88	-259	**-347**
Income tax	-	-	-3	**-3**
Tax rate reduction adjustment	-	-	8	**8**
Total changes in equity 2020	**-**	**-**	**19**	**19**
Balance as at 31 December 2020	**2**	**-**	**19**	**21**

Consolidated Statement of Changes in Total Equity 2019

In € millions	Issued share capital	Share premium reserve	Sum revaluation reserves	Retained earnings	Sum reserves	Total shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2019	**0**	**2,264**	**10**	**604**	**2,878**	**2,878**	**250**	**3,128**
Other comprehensive income	-	-	-8	-21	**-29**	**-29**	-	**-29**
Net result 2019	-	-	-	330	**330**	**330**	-	**330**
Total comprehensive income 2019	**-**	**-**	**-8**	**309**	**301**	**301**	**-**	**301**
Interest on other equity instruments	-	-	-	-19	**-19**	**-19**	-	**-19**
Other movements 2019	**-**	**-**	**-**	**-19**	**-19**	**-19**	**-**	**-19**
Total changes in equity 2019	**-**	**-**	**-8**	**290**	**282**	**282**	**-**	**282**
Balance as at 31 December 2019	**0**	**2,264**	**2**	**894**	**3,160**	**3,160**	**250**	**3,410**

Consolidated Statement of Changes in Revaluation Reserves 2019

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2019	**2**	**-**	**8**	**10**
Unrealised revaluations from cashflow hedges	-	97	-	**97**
Amortisation from cashflow hedges	-	-5	-	**-5**
Unrealised revaluations investments available for sale	-	-	636	**636**
Impairments and reversals	-	-	3	**3**
Realised gains and losses transferred to profit or loss	-	-	14	**14**
Results on allocated investments and interest derivatives	-	-92	-664	**-756**
Income tax	-	-	2	**2**
Tax rate reduction adjustment	-	-	1	**1**
Total changes in equity 2019	**-**	**-**	**-8**	**-8**
Balance as at 31 December 2019	**2**	**-**	**-**	**2**

5.5 CONSOLIDATED CASH FLOW STATEMENT

In € millions	2020	2019
Cash flow from operating activities		
Result before tax	-135	394
Adjustments for non-cash items included in profit before tax:		
Depreciation and amortisation of non-current assets	2	2
Amortisation of investments	182	182
Change in provision for employee benefits	-2	-
Changes in provisions	2	-5
Impairment charges / (reversals)	11	-7
Unrealised results on investments through profit or loss	-1,806	-2,029
Taxes		
Taxes paid	-19	-
Change in operating assets and liabilities:		
Change in amounts due from banks	123	850
Change in amounts due to banks	1,936	1,375
Change in investment property	-5	-4
Change in investments	-884	-1,989
Change in derivatives	-5	115
Change in other assets	-13	47
Change in insurance liabilities for policyholders	266	1,540
Change in insurance liabilities	1,880	1,566
Change in other liabilities	-51	-64
Net cash flow from operating activities	**1,482**	**1,973**
Cash flow from investment activities		
Sale of investment property	7	4
Sale and redemption of investments and derivatives	40,441	35,248
Sale of investments in associates	-	7
Purchase of investment property	-46	-15
Investment in subsidiary	-	-3
Purchase of investments in associates	-2	-44
Purchase of investments and derivatives	-42,127	-37,041
Net cash flow from investment activities	**-1,727**	**-1,844**
Cash flow from finance activities		
Capital injection	200	-
Interest payment of subordinated notes	-	-19
Receipt of Capital Tier 1 Subordinated Loan	100	-
Net cash flow from financing activities	**300**	**-19**
Net increase in cash and cash equivalents	**55**	**110**
Cash and cash equivalents 1 January	266	156
Cash and cash equivalents as at 31 December	**321**	**266**

In € millions	2020	2019
Cash flow from operating activities		
Additional disclosure with regard to cash flows from operating activities:		
Interest income received	903	1,251
Dividends received	124	164
Interest paid	66	59

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 General Information

SRLEV NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SRLEV NV is a wholly owned subsidiary of Athora Netherlands NV (as of 10 December 2020 VIVAT NV has changed its name into Athora Netherlands NV) with a registered office at Utrecht, the Netherlands and Athora Netherlands NV is a wholly owned subsidiary of Athora Netherlands Holding Ltd. with a registered office in Dublin, Ireland, whose ultimate parent is Athora Holding Ltc. domiciled in Bermuda.

SRLEV NV has its registered office located in Alkmaar, the Netherlands and has its principal place of business located at Kruseman van Eltenweg 1, 1817 BC Alkmaar, the Netherlands. The registration number at the Dutch Chamber of Commerce Trade is no. 34297413. The principal activities of SRLEV and its subsidiaries, divided in operating segments, are described in Section 6.4.

In the consolidated financial statements within this annual report the name ‘SRLEV’ is used.

The consolidated financial statement combines the financial statements of SRLEV NV (the parent company) and its subsidiaries (see Section 6.3, note 40 List of principal subsidiaries).

The key accounting policies and the changes herein used in the preparation of SRLEV's consolidated financial statements are set out in this section.

Adoption of the Financial Statements

The consolidated financial statements of SRLEV for the year ended on 31 December 2020 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 24 March 2021. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

6.1.2 Basis of Preparation

Statement of IFRS Compliance

SRLEV prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Relevant New standards, Amended Standards and Interpretations of Existing Standards Effective as of 2020

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. New or amended standards that become effective in 2020 and that are relevant to SRLEV are disclosed below.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendmens were issued in October 2018 and became effective as at 1 January 2020. The amendments include the refinements to the definition of materiality aligning it with the IFRS Conceptual Framework and provide guidance to help entities make materiality judgements. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments have no significant impact on SRLEV's consolidated financial statements.

Amendment to IFRS 3 Business Combinations

The amendment was issued in October 2018 and became effective as at 1 January 2020. It clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it explains that a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on SRLEV's consolidated financial statements in 2020 but they will apply to the future business combinations.

Interest Rate Benchmark Reform

Following the financial crises the benchmark InterBank Offered Rates (IBOR) are to be replaced by new alternative Risk Free Rates. As a part of this reform (also referred to as IBOR reform) the Euro Overnight interest Average (EONIA) is scheduled to be replaced by the Euro Short Term-Rate (ESTR) in January 2022. Also, after the end of 2021, LIBOR is expected to be ceased.

In 2020, SRLEV has transferred all euro denominated centrally cleared derivatives (the major part of its exposure) to ESTR. As a result of the transfer the fair value of the derivatives increased with € 32 million, this amount was recognised in profit and loss as result on derivatives. The remaining derivatives will be transferred in 2021 and SRLEV is monitoring the situation for other possible changes in benchmark rates.

To consider the financial reporting implications of the reform, IASB issued the following amendment to IFRS that became effective as at 1 January 2020:

Interest Rate Benchmark Reform Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7
These amendments were issued in September 2019. They are narrow-scope adjustments that only apply to the hedge relationships which are directly affected by interest rate benchmark reform. They clarify that for the hedge relationships, where the hedged risk is:
- either interest rate benchmark (contractually or non-contractually specified)
- or the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument,

it may be assumed that the interest rate benchmark, on which the hedged cash flows (contractually or non-contractually specified) are based, is not altered as a result of interest rate benchmark reform. As SRLEV has not entered hedge relationships described above, the amendments have no impact on SRLEV's consolidated financial statements.

Amendment to IFRS 16 Leases COVID-19 related rent concessions

The amendment became effective in June 2020 and it provides the practical expedient that if there are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and meet specified conditions, lessees do not need to assess whether rent are lease modifications. Instead, it is possible to account for those rent concessions directly in profit or loss as if they were not lease modifications once the specific conditions are met.

Until 31 December 2020, there are no rent concessions for SRLEV that qualify for the expedient.

Relevant New Standards, Amended Standards and Interpretations of Existing Standards Effective Date on or after January 2021

Relevant new standards, amendments to existing standards and interpretations, effective for reporting periods beginning on or after 1 January 2021, were not early adopted by SRLEV. New or amended standards that become effective on or after 1 January 2021 and that are relevant to SRLEV are disclosed below.

IFRS 9 Financial Instruments

IFRS 9, the new standard on financial instruments has an effective date of 1 January 2018. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement' and includes new requirements for the recognition and measurement of financial assets and liabilities, a new forward looking model for the recognition of impairment losses and a new regulation in order to better align hedge accounting with economic reality and risk management. However, since SRLEV has decided to apply the temporary exemption from applying IFRS 9, the implementation of IFRS 9 by SRLEV has been postponed until 1 January 2023, the effective date of IFRS 17.

IFRS 17 Insurance contracts

On 18 May 2017, the IASB has issued IFRS 17, the new comprehensive standard on insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 the current standard on insurance contracts. IFRS 4 allows insurers to continue their previous local accounting policies for the measurement of insurance contracts. IFRS 17 provides a comprehensive model (the general model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short duration (non-life) insurancecontracts.
The main features of the new accounting model for insurance contracts comprise:

- Measurement of insurance liabilities is based on the present value of probability weighted future cash flows to fulfil the contract, increased with a risk adjustment to reflect uncertainties in these cash flows.
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the coverage period of the contract.
- The recognition of insurance revenue and insurance service expenses in profit or loss based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance investment income and expenses.
- The effects of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- Extensive disclosures to provide information on the recognised amounts and the nature and extent of risks arising from these contracts.

In March 2020 the IASB has decided that the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. Retrospective application of the standard is required. Early adoption is permitted. SRLEV plans to adopt IFRS 17 per 1 January 2023.

Impact of IFRS 9 and IFRS 17

Since SRLEV is predominantly an insurance company, both financial instruments and liabilities arising from insurance contracts are significant items in its consolidated financial statements. Therefore the introduction of IFRS 9 and IFRS 17 will have a substantial impact not only on amounts recognised in SRLEV's consolidated financial statements but also on governance, systems and data requirements. In order to properly implement IFRS 9 and IFRS 17 on time, a program governance structure has been put in place. This new structure stipulated a new program manager, various teams and product were defined, identified and recruited for the project. The design and the build phases of IFRS 17 framework with designated team of experts was started. CSM vendor contracting was completed and the implementation process was initiated. The two key upcoming milestones defined for 2021 are the start of the chain test and the dry-run. Also the crucial decisions with regard to future accounting policies (e.g., reporting the volatilities, grouping of the contracts, analysis of change) will be finalised.

Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
These amendments were issued in August 2020 and become effective as at 1 January 2021. They are mostly the narrow-scope amendments that only apply to the hedge relationships which are directly affected by interest rate benchmark reform, as defined in the previous amendments. Also, additional disclosures with regard to risks arising from financial instruments subject to interest rate benchmark reform are required. Furthermore IFRS 9 is amended with regard to the changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform. As for SRLEV the derivatives are currently the only financial instruments impacted by IBOR reform and the reform does

not have impact on SRLEV's hedge accounting, the amendments are expected to have an insignificant impact on SRLEV's consolidated financial statements.

Changes in Policies, Presentation and Estimates

Changes in Policies

In 2020 there were no significant changes in policies.

Changes in Presentation

In 2020 there were no significant changes in presentation.

Changes in Estimates

The effects of significant changes in estimates are disclosed in the notes to the consolidated financial statements relating to the items concerned. The most significant changes in estimates concern the following items:

- insurance liabilities (refer to note 14 'Insurance Liabilities and Reinsurance Share') and LAT methodology (refer to the section 'Assumptions IFRS LAT' under 'Insurance Liabilities' in 6.1.5 Accounting Policies for the Statement of Financial Position);
- provision for employee benefits (refer to note 15 'Provision for Employee Benefits').

6.1.3 General Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in the consolidated financial statements.

Functional Currency and Reporting Currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional and reporting currency of SRLEV. All financial data presented in euros is rounded to the nearest million, unless stated otherwise.

Foreign Currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date.

Monetary items in the statement of financial position denominated in foreign currencies are translated into euros at the exchange rate applicable at the reporting date. Exchange rate differences arising from these transactions and from converting monetary items in the statement of financial position denominated in foreign currencies are recognised in the statement of profit or loss within investment income or gains and losses on financial instruments, depending on the item in the statement of financial position to which they relate.

The exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value recognised in the statement of profit or loss, are accounted for as part of these changes in the value of the related item in the statement of financial position. Exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value being recognised in other comprehensive income, are incorporated into shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

Accounting Based on Transaction Date and Settlement Date

All purchases and sales of financial instruments that have been settled in accordance with standard market practices are recognised at the transaction date, i.e. the date on which SRLEV commits itself to buying or selling the asset or liability. All other purchases or sales are recognised as forward transactions until they are settled.

Offsetting Financial Instruments

Financial assets and liabilities are offset and their net amounts are reported in the statement of financial position if the following conditions are met:
- a legally enforceable right to set off the recognised amounts exists,
- SRLEV intends to settle the items on a net basis, or to realise the asset and the liability simultaneously.

If either of these conditions are not met, amounts are not offset.

Estimates and Assumptions

The preparation of the consolidated financial statements requires SRLEV to make estimates and assumptions based on complex and subjective opinions and best estimates. In this process, management judges situations on the basis of available information and financial data that are likely to change in the future. Although estimates are made to the best of the management's knowledge, actual results will differ from these estimates and the use of other assumptions or data can lead to materially different results.

Estimates and underlying assumptions are reviewed on a regular basis. The resulting impact on accounting estimates is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. The main accounting policies involving the use of estimates concern the methods for determining liabilities arising from insurance contracts, the provision for employee benefits, the provisions for bad debts, the fair value of assets and liabilities, deferred tax and impairments.

Fair Value of Assets and Liabilities

Fair Value

The fair value is the price that SRLEV would receive to sell an asset or to pay to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market and assuming the highest and best use for non-financial assets.

Fair Value Hierarchy

The fair value of financial assets and liabilities is determined using quoted prices where available. These quoted prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. SRLEV applies a transfer price when determining fair value; as a result, financial assets are initially recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement; available market information relating to the fair value of the instrument is taken into account.

When no market price is available for certain financial assets and liabilities, the fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methodologies. Input used in these models is based on observable market information to the extent possible. All valuation methods used are assessed and reviewed according to the SRLEV governance procedures.

6.1.4 Basis for Consolidation

Subsidiaries

Subsidiaries, i.e. all entities (including structured entities) that are controlled by SRLEV, are consolidated. Control over companies and entities is assumed to exist if all of the following conditions are met:

- SRLEV has power over a company or entity by means of existing rights that give SRLEV the current ability to direct the relevant activities of the company or entity;
- SRLEV has exposure or rights to variable returns from its involvement with the investee; and
- SRLEV has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to SRLEV until the date this control ceases. The financial statements of these group companies are fully consolidated and aligned with the accounting policies applied by SRLEV.

Non-controlling interests and their results are presented separately in the consolidated statement of financial position and the statement of profit or loss.

Investments in Associates

Associates are entities in which SRLEV can exercise significant influence on the operating and financial policies, but over which it has no control.

The consolidated financial statements include SRLEV's total share of profit of associates from the date that SRLEV acquires significant influence to the date that significant influence ceases to exist. The profit is accounted for using the equity method, after adjustments to comply with SRLEV's accounting policies, where needed.

Upon recognition, associates are initially accounted for at their acquisition price (including transaction costs) and subsequently measured using the equity method. This measurement also includes goodwill paid upon acquisition less accumulated impairment losses, if applicable.

Under the equity method, SRLEV's share of profit or loss of associates is recognised in the statement of profit or loss within share of profit of associates. Other changes in equity of associates are recognised directly in SRLEV's other comprehensive income.

If the carrying amount of the associate is nil, no further losses are accounted for, unless SRLEV has entered into commitments, made payments on its behalf or acts as a guarantor.

Elimination of Group Transactions

Intra-group transactions, intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements.

Segment Information

The operating segments of SRLEV are clearly distinctive organisational components that carry out activities that generate income and expenses. The operating segments are:
- Individual Life carrying out individual life insurance services
- Life Corporate carrying out collective life insurance services

The segment information is based on the accounting policies used in the consolidated financial statements. For one-off intra-group transactions directed by SRLEV the required consolidation adjustments and eliminations are accounted for directly in the related segment.

6.1.5 Accounting Policies for the Statement of Financial Position

Property and Equipment

Owner-occupied Property

Owner-occupied property mainly comprises offices (land and buildings) and is measured at fair value (revaluation model) based on annual valuations performed by external, independent appraisers with adequate professional expertise and experience in the specific location and categories of properties.

Owner-occupied property is measured at fair value on an unlet or (partially) let basis, depending on the situation. The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method and the reference method are used to determine this value. This method uses an expected return at inception and the market rental value to determine the fair value of an asset. Gains and losses on owner-occupied property include lease incentives, discount rates and expected vacancy, making allowance for the location, quality, age and liquidity of the property in question.

Increases in the fair value exceeding cost are added to the revaluation reserve in shareholders' equity, less deferred taxes. Positive revaluations, insofar as they result in the reversal of earlier impairments on the same asset, are credited to the statement of profit or loss. Decreases in fair value, insofar as they result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are recognised in profit or loss.

Buildings are depreciated over their useful lives using a straight-line method, with a maximum of fifty years, taking into account any residual value. Land is not depreciated. Regular impairment tests are performed on land and buildings.

Repair and maintenance expenses are recognised within other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of owner-occupied property in relation to their original use are capitalised and then depreciated.

Upon the sale of a property, the part of the revaluation reserve related to the property in question, which was recognised within shareholders' equity, is transferred to the retained earnings.

IT Equipment and other Property and Equipment

All other property and equipment are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses. Cost includes all expenses directly attributable to the acquisition of the assets. Assets are depreciated on a straight-line basis over their useful lives, taking into account any residual value. The estimated useful life varies between three and ten years.

Repair and maintenance expenses are recognised in other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of other property and equipment in relation to their original use are capitalised and subsequently depreciated.

Gains and losses on the sale of property and equipment are defined as the balance of the recoverable amount less transaction costs and the carrying amount. These gains and losses are recognised within other operating income.

Investments in Associates

For details, see Section 6.1.4 (Basis of consolidation) under 'Investments in Associates'.

Investment Property

Investment property, comprising retail properties and offices, residential properties and land, is held to generate long-term rental income or capital appreciation or both. If a property qualifies as part investment property and part owner- occupied property, it is recognised within property and equipment if the owner-occupied makes up no less than 20% of the total number of square metres. However, if the owner-occupied part makes up less than 20% of the total number of square metres, it is recognised within investment property.

Investment property is measured at fair value i.e. its value in a (partially) let state, including transaction costs, upon initial recognition. The fair value is based on valuations performed every year by independent external appraisers with adequate expertise and specific experience in property locations and categories.

The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method is used to determine this value. This method uses an expected return since inception and the market rental value to determine the fair value of an asset. Gains and losses on investment property include lease incentives, discount rates and expected vacancy, but allowance is made for location, quality, age and liquidity of the property as well.

Changes in the fair value of investment property are recognised in profit or loss within investment income.

Financial Assets

SRLEV classifies its financial assets in one of the following categories: (1) at fair value through profit or loss, (2) available for sale, or (3) loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management decides to which category the asset is allocated at initial recognition.

Upon initial recognition, financial assets are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', in which transaction costs are recognised directly in the statement of profit or loss.

The categories of financial assets are explained in more detail in the following section.

SRLEV measures its financial liabilities at amortised cost with the exception of derivatives and liabilities from investments for account of third parties. For more information see the corresponding sections.

Investments

Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it was designated as such upon initial recognition. Financial assets are only designated at fair value through profit or loss if:
- this eliminates or considerably limits an inconsistency in valuation or recognition between assets and liabilities that would otherwise arise; or
- SRLEV manages and assesses them on a fair value basis.

Financial assets classified as fair value through profit or loss are recognised at fair value. Realised and unrealised gains and losses are recognised directly in the statement of profit or loss within investment income.

Interest income earned on securities is recognised within investment income. Dividends received on equity instruments are also recognised within investment income.

Available for Sale (Fair Value Through Other Comprehensive Income)

Financial assets that do not meet the criteria defined by management for loans and receivables or are not designated as at fair value through profit or loss are classified as available for sale.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from fair value adjustments of these investments are recognised within other comprehensive income (shareholders' equity), net of deferred taxes.

When financial assets are sold, any accumulated fair value adjustments are recognised in the statement of profit or loss as investment income. SRLEV uses the average cost method to determine the related gains and losses.

Loans and Receivables (Amortised Cost)

Loans and receivables comprise unlisted debt investments with a fixed term (including mortgages) and loans to banks arising from endowment mortgages issued by the insurance business. Loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment if deemed necessary.

Impairment of Financial Assets

At reporting date, SRLEV assesses whether there is objective evidence of an impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the statement of profit or loss as 'impairment losses'.

Investments in Fixed Income Instruments

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there is objective evidence of financial distress at the counterparty, declining markets for the counterparty's product or other relevant indicators. This test comprises both quantitative and qualitative considerations. Debt securities are assessed for aspects including expected credit losses and credit losses already incurred (e.g. due to default), market data on credit losses and other evidence of the issuer of the instrument's inability to meet its payment commitments.

Where mortgage loans are concerned, an allowance for impairment is recognised if objective evidence exists that SRLEV is not able to collect all payments in accordance with the contractual agreements. For mortgages that are individually significant, this allowance corresponds to the difference between the carrying amount and the recoverable amount. The recoverable amount equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans.

The criteria relating to impairments are applied to the entire mortgage portfolio. Individual mortgage loans with less significant amounts (and corresponding credit risk) are tested collectively for impairment.

The allowance for impairment losses also covers losses where objective evidence of losses likely to be incurred in the loan portfolio exists (IBNR: incurred but not reported). Losses on mortgages are estimated on the basis of historic loss patterns and the creditworthiness of counterparties. Both estimates take into account the current economic climate in which the counterparties operate.

When a loan is uncollectable, it is written off against the relevant allowance for impairment.

Investments in Equity Instruments

An investment in equity instruments is considered to have been subject to impairment if its carrying amount exceeds the recoverable value for an extended period, which means that its fair value:

- has decreased 25% or more below cost; or
- has been at least 5% below cost for nine months or more.

Depending on the availability of data, the fair value of unlisted equities is determined based on:

- the price of the most recent transaction (as an indication);
- current fair values of other, similar investments (in entities); or
- valuation methods in accordance with accepted economic methods that use market data to the extent possible.

Reversal of Impairments

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment allowance is (partially) reversed. That reversal is recognised in profit or loss. Impairments on equity securities are never reversed.

Investments for Account of Policyholders (Fair Value Through Profit or Loss)

Investments for account of policyholders are classified as fair value through profit or loss. These investments are held to cover insurance contracts, according to which the investment risk is borne by the policyholders (see the section entitled 'Life insurance contracts for account of policyholders'). Amounts due from these policyholders are recognised in the statement of profit or loss as premium income. Dividends, coupons, adjustments in the fair value of investments and gains and losses on the sale of investments are recognised in the statement of profit or loss as investments for account of policyholders.

Investments for Account of Third Parties and Liabilities from Investments for Account of Third Parties (Fair Value Through Profit or Loss)

These investments relate to the third parties' share in the investments of investment funds with opposite daily redeemable financial obligations to these third parties at the same amount and are measured at fair value through profit or loss. Any related gains and losses are recognised in the statement of profit or loss as gains and losses on financial instruments. These investment funds are consolidated since SRLEV controls these funds and is exposed to these funds' gross variable results, which are mainly attributable to investments for account of policyholders.

SRLEV's exposure to risks arising from these financial instruments is limited since the beneficial ownership rests with these third parties and participants. The value of corresponding liabilities equals the fair value of the underlying investments.

Derivatives

General

Derivatives are recognised at fair value upon inception. The fair value of publicly traded derivatives is based on quoted bid prices for assets held or liabilities to be issued, and quoted offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a present value model or an option valuation model. SRLEV recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Changes in the fair value of derivatives, that do not qualify for cash flow hedge accounting, are accounted for in the statement of profit or loss as gains and losses on financial instruments.

For embedded derivatives refer to “Embedded options and guarantees in insurance contracts” in the section “Life insurance”

Hedge Accounting

SRLEV uses derivatives as part of its asset and liability management and risk management. These instruments are used for hedging interest rate and currency risks, including the risks of future transactions. SRLEV can designate a derivative as either:

- a hedge of the exposure to changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
- a hedge of the exposure to variability in future cash flows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is only applied if a hedging relationship is considered to be effective. Hedge effectiveness is assessed by SRLEV at inception and during the term. A hedge is effective if the changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument, insofar as these changes are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%.

Fair Value Hedge Accounting

Derivatives designated as a hedge of fair value changes of recognised assets or of a firm commitment are recognised as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedging instrument are recognised directly in the statement of profit or loss and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.

If the hedge no longer meets the conditions for hedge accounting, an adjustment in the carrying amount of a hedged financial instrument is amortised and taken to the statement of profit or loss during the expected residual term of the previously hedged item.

If the hedged item is no longer recognised, i.e. if it is sold or redeemed, the non-amortised fair value adjustment is directly recognised in the statement of profit or loss.

Cash Flow Hedge Accounting

Derivatives can be designated to hedge the exposure to variability in future cash flows resulting from a recognised asset or liability or highly probable forecast transaction. Adjustments in the fair value of the effective portion of a derivative that has been designated as a cash flow hedge and that meets the conditions for cash flow hedge accounting are recognised in the cash flow hedge reserve as a separate component of shareholders' equity. The portion of the gain or loss on the hedging instrument that is considered to be ineffective, is recognised in the statement of profit or loss. The measurement of the hedged item, which is designated as part of a cash flow hedge, does not change.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses on the derivative that were previously recognised in the cash flow hedge reserve are amortised to profit or loss until maturity of the acquired asset or liability.

If the hedging instrument expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated all gains and losses that were included in the cash flow hedge reserve remain in the cash flow hedge reserve within other comprehensive income until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains and losses recognised in other comprehensive income are directly taken to profit or loss.

Loans and Advances due from Banks

These assets concern receivables from banks with a remaining maturity of one month or more, not including interest- bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Taxes

Income tax expense

Income tax relates to payable or recoverable tax on the taxable profit for the reporting period and taxes due from previous periods, if any. Current tax receivables and payables are measured using the tax rate applicable at the reporting date or the tax rate applicable to the previous period the taxes due relate to.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This is based on the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled.

Deferred tax assets and liabilities are measured at the undiscounted amount expected to be received or paid. Deferred tax assets are only recognised if sufficient taxable profits are expected to be available in the near future against which these temporary differences can be utilised. Deferred taxes are recognised for temporary differences between the carrying amount and the value for tax purposes.

Deferred tax assets are assessed at the reporting date; if it is no longer likely that the related taxable profit will be achieved, the asset is reduced to its recoverable value. Deferred tax assets and liabilities are presented on a net basis to the extent that they relate to the same tax authority and that they are settled simultaneously.

Tax group

Athora Netherlands NV and its subsidiaries, including SRLEV NV, form a tax group for corporate income tax and value added tax (VAT) and as a result are jointly and severally liable for the fiscal unity's corporate income tax and VAT liabilities.

Reinsurance Share

Inbound reinsurance contracts

Other insurers use these contracts to transfer the insurance risk associated with their own insurance contracts to SRLEV. These contracts qualify as inbound reinsurance contracts; the obligations from the insured risk and the deposit component are recognised as liabilities within insurance contracts in accordance with IFRS 4. Currently SRLEV is not a party to such contracts.

Outbound reinsurance contracts

By virtue of these contracts, SRLEV is compensated for losses incurred on its own insurance contracts. Because of the transfer of significant insurance risks, the entire contract qualifies as an outbound (re)insurance contract. The liabilities from insurance risks and the deposit components are recognised as insurance liabilities in accordance with IFRS 4. The share of reinsurance companies in the insurance liabilities and the benefits to which SRLEV is entitled by virtue of its reinsurance contracts are accounted for and presented as reinsurance assets. The receivables depend on the expected claims and benefits.

Because SRLEV calculates its LAT on a net basis, the expected cashflow arising from the outbound reinsurance contracts are also included in the LAT calculation on insurance liabilities.

The amounts receivable from (claims), and payable to (premium) reinsurance companies are determined in accordance with the terms and conditions of each reinsurance contract and recognised in the period in which they incurred. Receivables from reinsurers are assessed for potential impairment due to credit risk, at the reporting date. The current outstanding amounts are presented under other assets or other liabilities.

Other Assets

Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. Accrued assets also include the accrued interest on financial instruments measured at amortised cost, as well as other accruals, which include amounts receivable from the clearing counterparty with regard to derivative positions.

Equity

Issued share capital

The share capital comprises the issued and paid-in ordinary shares.

Reserves

Share premium reserve

The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary shares.

Revaluation reserve

Revaluations of owner-occupied property (see the section entitled 'Owner-occupied property') are included in the revaluation reserve.

Cash flow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes in the fair value of derivatives qualifying for cash flow hedge accounting (net of taxes), provided that the hedged transaction has not yet occurred.

Fair value reserve

Gains and losses arising from changes in the fair value of assets that are classified as available for sale are recognised in the fair value reserve (net of taxes). If the particular assets are sold, settled or as a result of other events are no longer recognised; the corresponding cumulative gains and losses is then transferred from the fair value reserve to profit or loss (see the section entitled 'Financial assets'). Exchange rate differences on non-monetary financial assets that are classified as available for sale are also recognised in this reserve.

Shadow accounting is applied to the cash flow hedge reserve and fair value reserve for fixed-income securities that are held to cover insurance liabilities.

Tier 1 Capital

SRLEV NV was provided a perpetual Tier 1 Capital loan by its parent company Athora Netherlands NV. Redemption of the loan is scheduled at specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU's Solvency II regulations for Tier 1 Capital loans. These regulatory requirements imply that the borrower (SRLEV) has a unilateral right not to pay interest or repay the principal to the investors. Based on these terms, the loan does not qualify as a liability at SRLEV and consequently it is recognised within equity.

The interest accrued on the Tier 1 Subordinated Loan is added to the carrying amount of the loan. The interest accrued, net of taxes, is deducted within equity. The subsequent interest payments are deducted from the carrying amount of the loan within equity.

Subordinated Debt

Subordinated debt includes the subordinated bonds and private loans issued by SRLEV. This debt is initially measured at fair value net of the transaction costs incurred. The debt is subsequently measured at amortised cost, using the effective interest method.

Insurance Liabilities

Insurance liabilities arise from insurance contracts. Insurance contracts are contracts that concern the transfer of significant insurance risk. These contracts can also involve investment risks. SRLEV issues life insurance contracts. SRLEV recognises insurance liabilities from the earliest of the beginning of the coverage period or the date on which the first payment of the policyholder becomes due.

SRLEV has continued applying the accounting policies in use at the time of transition to IFRS for the valuation of the insurance contract liabilities since the first adoption of IFRS (the historically applied accounting policies). The insurance liabilities reported at the reporting date are valued at the higher of :
- the historic value based on the assumptions used to calculate the (guaranteed) premium and
- the minimum value according to the liability adequacy test.

The first method uses premium calculation principles for interest and mortality (life insurance contracts).

For insurance liabilities IFRS requires a liability adequacy test to be performed. The carrying amount of the insurance liability based on historical cost and reduced by related intangible assets like the Value of Business Acquired (VOBA) and deferred acquisition costs (if applicable) is compared to the current estimates of future cash flows corresponding to the insurance liability. When the latter is higher, there is a deficit. Under IFRS 4, the carrying amount of the insurance liability has to be supplemented by this deficit, thus increasing the value of the insurance liability based on the current estimates of future cash flows.

The details of the valuation principles for life insurance contracts and the corresponding liability adequacy test are described below.

Life Insurance

Life insurance contracts can be divided into general account life insurance policies and life insurance contracts for account of policyholders. Both types of insurance policies include individual insurance contracts as well as group insurance contracts. These contracts provide mainly long-term insurance for events that lead to a payment in cash, or of the counter value of investment units, upon maturity of the contract or death of the insured.

General Account Life Insurance Policies

General

For these contracts, SRLEV incurs insurance risk as well as investment risk. These insurance contracts are divided into individual and group contracts and include the following product groups: savings mortgage insurance, annuities, term insurance policies, corporate pensions, funeral expenses insurance policies and traditional endowment insurances.

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2019 and 2020, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR). Both measurement principles are explained below.

Measurement at Tariff Rates

Locked-in Interest Rate

Liabilities arising from life insurance contracts with a locked-in interest rate are determined on the basis of a prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable.

Actual payments and the timing of payments also depend on social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, as well as assumptions about developments in mortality and disability rates. Lapse, like early surrender or a waiver of premium, is also taken into account for some life insurance products. The assumptions used in the measurement of life insurance contracts at the reporting date are based on the calculation principles set at the contract's inception date.

Most policies have a fixed discount rate between 3% and 4%. The discount rate for recent insurance contracts is generally lower than 3%. For savings mortgage insurance and other guaranteed products, the rate of return guaranteed in the insurance contract is used. The interest rate in these insurance contracts equals the investment return achieved on the corresponding investments.

Embedded Options and Guarantees in Insurance Contracts

SRLEV does not separately recognise embedded derivatives in insurance contracts, such as options to surrender insurance contracts at a fixed amount, or at a fixed amount and a guaranteed interest rate (i.e. closely linked to the basic insurance contract), but recognises them under the host contract from which they stem. The time value of the embedded options is not included in the measurement of the embedded derivative, but it is taken into account when determining LAT.

Provisions for Longevity Risk

Particularly with regard to the pension portfolio, liabilities arising from insurance contracts may become inadequate due to the extended life expectancy of the beneficiaries. This provision comprises additional contributions that have been made in the past to absorb this longevity risk. The actual longevity risk is the part of the total liabilities and subject to the liability adequacy test.

Cost Surcharges

Premiums include loadings to cover expenses. When premiums are received or fall due, the surcharges are released; they are then available to cover actual expenses, including administration, renewal expenses and acquisition costs.

Interest Rate Surcharge or Discount

With respect to individual single-premium insurance contracts, an interest rate can be guaranteed, which may be lower or higher than the contractual interest rate used to calculate the liability. The rates for annuity policies are based on a yield curve derived from market data. As the expected market interest rates are currently lower than the standard rate basis, the policyholder pays a surcharge based on the difference between the market rate at the contract's inception date and the contract date and the standard rate applied until maturity. The recognised surcharges and discounts are subsequently amortised on either an actuarial or straight-line basis.

With regard to group insurance contracts, similar surcharges or discounts are amortised on a straight-line basis. In the initial year of recognition, the full-year amortisation charge is recognised.

Provisions for Disability Risk

Under liabilities arising from insurance contracts, a provision is maintained for the entitlement to a premium waiver in the event of disability. This provision is based on a factor multiplied by the annual premium that applies to the disability risk. The factor is based on IBNR techniques derived from empirical data for claim behaviour. The IBNR techniques involve historic data, based on which estimates are made at the reporting date for claims expected to have occurred but have not been reported at the reporting date. The valuation principles of disability coverage that are used, including the waiver of premiums, are the same as the principles for the main insurance policy.

Profit-sharing and Bonuses

The present value of any profit share that has been awarded but has not yet been distributed is included in the provision for profit-sharing and bonuses which is included in the life insurance liabilities.

Profit-sharing

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights.

Discretionary profit-sharing schemes concern the right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of SRLEV's management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

For insurance contracts with discretionary participation features, all realised and unrealised gains and losses, that are eligible for profit sharing, on fixed-income financial assets in the portfolio backing the participating insurance contracts are transferred to insurance liabilities, if they constitute a net gain on a cumulative basis. These additions are made regardless of the management's decision about the profit amounts paid out to the policyholders.

There are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

Shadow Accounting

Realised gains and losses on assets backing insurance liabilities can affect the measurement of insurance liabilities. IFRS 4 contains an option generally referred to as 'Shadow Accounting' to reduce accounting mismatches which may occur when insurance liabilities and investments backing those liabilities:

- are measured on a different basis; or
- have changes in their measurements recorded in different line items of total comprehensive income (net income versus other comprehensive income).

SRLEV applies this option which means that unrealised gains or losses on assets backing certain insurance liabilities are treated similarly to realised gains and losses for the purpose of measuring insurance liabilities. For SRLEV this leads to the following changes in the way cumulative unrealised net gains are accounted for:

- Unrealised fair value changes of Available for Sale fixed income financial assets, which are initially recognised in other comprehensive income, are transferred to the insurance liabilities without affecting profit or loss.
- Fair value changes of interest rate derivatives used to hedge interest rate risks, which are initially recognised in the cash flow hedge reserve, are transferred to the insurance liabilities without affecting profit or loss, as a result.
- Fair value changes of interest rate derivatives, to which no cash flow hedge accounting is applied, are initially recognised in profit or loss. Subsequently these changes are transferred to the insurance liabilities through profit or loss.

Shadow Accounting limits accounting mismatches only as far as those are caused by market interest rate changes. If, after the application of Shadow Accounting, any deficit under the Liability Adequacy Test remains, SRLEV strengthens the insurance liabilities further through profit or loss.

Measurement Based on Current IFRS LAT Assumptions.

IFRS LAT Methodology

Under IFRS, the carrying amount of an insurance liability, net of VOBA and deferred acquisition costs (if applicable), is required to be at least equal to the discounted current estimates of future cash flows under its insurance contract plus a risk margin. The total carrying amount of the liabilities tested, consists of the carrying amount based at historical tariff rates, supplemented with any liabilities arising from interest rate guarantees on life insurance contracts, liabilities to cover for the longevity risk and the effects of shadow accounting.

It is tested, based on current assumptions, whether these carrying amounts will ultimately be adequate to cover the commitments to policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments in mortality, disability, the behaviour of policyholders, claims handling and management costs. These cash flows are discounted using the (bid price) swap curve including the Ultimate Forward Rate as set for Solvency II reporting purposes for the financial year. The valuation of the future expected profit-sharing and the time value of embedded options and guarantees are included in the resulting best estimate provision. The best estimate is increased with a risk margin, which is calculated using the Cost of Capital method. The resulting liability is compared to the carrying amount, after shadow accounting, of the insurance liabilities adjusted for any differences between fair value and book value of other balance sheet items. If the discounted current estimates of future cash flows arising from the insurance contract increased with a risk margin is higher, a LAT deficit exists.

To the extent that this has been agreed in the contract, deficits in relation to the guaranteed interest rate will (partially) be borne by the policyholders. Any such contributions are deducted from the liability adequacy test deficit.

The IFRS LAT is calculated on a net basis; the effects of reinsurance contracts on the projected cash flows are comprised in the outcome.

Recognition of a Deficit

If the outcome of the test, taking into account the shadow accounting adjustments, is a deficit, the carrying amount of insurance liabilities will be supplemented via technical claims and benefits in profit or loss. The increase of the carrying value of insurance liabilities and related assets is effected first by impairing any VOBA or any deferred acquisition costs, if available. Any remaining deficit will be added to insurance liabilities through profit or loss. If the deficit decreases in the next reporting period, the prior addition will be reversed to the extent it was recognised in profit or loss (technical claims and benefits).

Test Level and Frequency

The IFRS liability adequacy test is performed at least quarterly for the entire portfolio of life insurance contracts. The test is performed both at legal entity level and at consolidated level. A deficit and a surplus in the liability adequacy test of the separate life insurance companies is offset in consolidation.

Assumptions IFRS LAT

The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2020 (for the assumptions that were adjusted in the current year also the assumptions from the previous year are presented):

- Discount rate: derived from the (bid price) swap curve. The curve converges to the Ultimate Forward Rate (UFR) based on the Smith-Wilson method in accordance with Solvency II including an Ultimate Forward Rate as set for Solvency II reporting which for the financial year 2020 converges after the 20 years point (last liquid point) to 3.75% (2019: 3.90%) in 40 years.
- Profit allocation is in accordance with the applicable profit-sharing arrangements and the company's decisions regarding discretionary profit sharing.
- Cost allocation and distribution of efficiency gains based on internal assessment in line with assumptions used for Solvency II technical provisions.
- Projected mortality probability data for the entire population based on Prognose Model AG 2020 (Prognose Model AG 2018 in 2019) adjusted for experience on each portfolio based on both external and internal research.
- Lapse and early surrender data based on internal research.
- Inflation rate: derived from market data.
- Cost inflation consists for around 80% out of expected salary increases, taking into account the agreements in the Collective Labour Agreements (CLA) and for 20% the inflation of other costs.
- Cost of capital rate: 4% (2019: 4%).

Life Insurance Contracts for Account of Policyholders

General

This item concerns insurance contracts under which policyholders bear the investment risk. The liabilities arising from these contracts basically equal the value of the underlying investments, the value of interest rate guarantees and the value of the term insurance. Since unit-linked policyholders bear investment risk they determine how SRLEV should invest the premiums paid net of costs and risk premiums.

Unit-linked Life Insurance Contracts

Liabilities Linked to the Investments Related Component

The technical provisions for the underlying investments of these insurance contracts correspond to the carrying amount (fair value) of the related underlying investments. As a result, these liabilities are measured at the fair value of the underlying investments. Transaction costs and commission are not included at initial recognition but charged to the statement of profit or loss as these transactions occur. The changes in these insurance liabilities are recognised directly in profit or loss in line with changes in the fair value of these investments.

Interest Rate Guarantees

Interest rate guarantees have been issued by SRLEV for returns from a limited number of unit-linked insurance contracts. These guarantees mainly apply at the maturity dates of the insurance contracts.

Prior to maturity, the liability arising from these contracts is at least equal to the accumulated amount of premiums paid plus guaranteed interest less any expense and mortality charge deductions and adjustments for future lapses.

Insurance Component
The insurance component in these insurance contracts is determined based on the tariff rate.

Separate Accounts

Group insurance contracts with segregated investments are recognised as life insurance contracts for account of policyholders. Interest rate guarantees on returns have been granted for a limited number of these contracts.

If group insurance contracts are renewed as general account after contract expiration dates, the existing provisions for interest rate guarantees are amortised on an actuarial basis to compensate for the deficits in future investment returns in comparison to the guaranteed interest rates stipulated in these contracts.

Liabilities from Investments for Account of Third Parties

See the section on investments for account of third parties and liabilities from investments for account of third parties.

Provision for Employee Benefits

Short-term Employee Benefits

Short-term employee benefits include salaries, short paid leave, profit-sharing and bonus schemes. These are accounted for in the statement of profit or loss over the period in which the related services are rendered. In the event that employees have not made use of their entitlements at the end of the period, a liability is formed for the nominal amount.

Pension Benefits

General

All currently employed personnel is hired by Athora Netherlands NV. Athora Netherlands's main pension scheme is a defined contribution scheme administrated by Stichting Pensioenfonds SNS REAAL. New staff is included in this scheme. In addition, a number of defined benefit plans were acquired from insurance companies in the past. The members of those schemes are referred to as members with deferred pension rights or retirees.

Defined Contribution Schemes

According to this pension scheme, defined contributions are paid to separate entities, primarily to Stichting Pensioenfonds SNS REAAL, an independent pension fund. Besides the defined contributions, SRLEV has no obligation to make additional payments to the scheme to make up for deficits resulting from actuarial or investment risk.

Defined Benefit Schemes

A number of defined benefit schemes for (former) employees still exists. The net liability related to these schemes is represented by the difference between the present value of the future liabilities to pay the participants' pensions (gross pension entitlements) and the value of the qualifying assets of these schemes. Qualifying assets are investments relating to pension funds or insurance contracts with insurance companies other than SRLEV.

A net asset due to a surplus is recognised only if SRLEV has the ability to use the surplus to generate future economic benefits (asset ceiling). The excess amount above the asset ceiling will be deducted from the surplus through other comprehensive income.

Gross Pension Entitlements from Defined Benefit Schemes
These are calculated annually by an external actuary according to the projected unit credit method and discounted using rates based on returns from investment-grade corporate bonds (AA rating) with a maturity corresponding to the time of benefit payments to the members. In principle, this method distributes the pension costs evenly over the period in which an employee renders services to SRLEV.

Self-administered Defined Pension Schemes
Entitlements from these schemes are insured at SRLEV. The investments under these schemes are held by SRLEV; if they do not qualify as plan assets, they are presented as investments (general account).

Recognition of Costs in the Statement of Profit or Loss

Costs of Defined Contribution Schemes
The regular contributions in the defined contribution schemes qualify as net periodic costs in the year in which they are due and are recognised within the employee benefits expense. Employee contributions are deducted from this expense.

Income and Expense Associated with Defined Benefit Schemes
The following items are recognised in the statement of profit or loss for defined benefit schemes:
- periodic pension costs relating to the members of the scheme who are still employed by Athora Netherlands and render services to SRLEV;
- costs of improvement (or costs relating to deducted value of entitlements returned) of these pension schemes, insofar as they relate to past employment;
- gains and losses on settlement of pension entitlements; and
- net interest on the net defined benefit liability (or asset).

Net Interest on Defined Benefit Schemes
Net interest is calculated based on the actuarial discount rate used to determine the present value of the gross pension entitlements. This net liability (or asset) is determined at the start of the annual reporting period, taking into account possible changes resulting from contributions from SRLEV or employees and benefits paid out during the year.

Interest costs consist of actuarial interest costs corresponding to the gross defined benefit liability, the fixed return on qualifying investments (calculated as the present value of the gross defined benefit entitlements covered by the insurance contracts minus the net present value of future service costs, using the same assumptions as applied in the calculations of the defined benefit liability) and interest on the excess above the asset ceiling, which is determined if a defined benefit asset exists.

Recognition in Other Comprehensive Income

The following revaluations of the net pension liability (or asset) are recognised in other comprehensive income:
- actuarial gains and losses;
- gains on qualifying investments of defined benefit schemes actually realised during the year, net of the fixed gains and losses based on the actuarial discount rate that is included in the net interest from defined benefit schemes; and
- the effect of asset ceiling, if a defined benefit asset exists.

Revaluations are not reclassified to the statement of profit or loss in the next reporting period, but they can be reclassified to another component of equity, e.g. settlement of pension entitlements.

Other Long Term Employee Benefits

These refer to jubilee benefits and to discounts granted for bank and insurance products to (former) employees after the date of their retirement. The amount of the obligation is based on the present value of the discounts offered after the retirement date, taking into account actuarial assumptions about mortality and interest. Furthermore, an obligation for reimbursement of medical expenses is recognised. A liability for the expected expenses of these reimbursements during the period of employment is recognised according to the methods used to determine the defined pension schemes obligations. To qualify for these benefits, an employee's contract is required to run until his or her retirement age and it is to span a specified minimum period.

Retention Bonus

Retention bonusses are employee benefits. The vesting and payment of retention bonusses are subject to certain conditions and law and regulations, which contains deferred payment for Identified Staff. The employees receive a retention bonus only if they remain with the entity for the specified period. The expected cost of bonus payments is recognised in the statement of profit or loss during this specified period as employees render service. Retention bonusses are recognised under staff costs as short-term employee benefits with the exception of the deferred part, which is recognised as other long-term employee benefits.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised as staff costs in the statement of profit or loss.

Other Provisions

General

Provisions are recognised if there is a legally enforceable or constructive obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the obligation can be made.

Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recognised in the statement of profit or loss.

Legal Provisions

At the reporting date, SRLEV recognises a provision for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal fees and payments due in the course of the legal proceedings, to the extent that it is more likely than not that an obligation exists at the reporting date. A provision is recognised if the obligation can be reliably estimated.

Financial Liabilities

Derivatives

See the previous section entitled 'Derivatives'.

Amounts Due to Banks

Amounts due to banks comprise unsubordinated debts to credit institutions. Upon initial recognition, amounts due to banks are measured at fair value, including transaction costs incurred. These liabilities are subsequently measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised in the statement of profit or loss.

Other Liabilities

Other liabilities include creditors, amounts payable to reinsurers, other taxes and accrued liabilities as well as interest accrued on financial instruments that are measured at amortised cost.

6.1.6 Accounting Policies for the Statement of Profit or Loss

Income and expenditure are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

Income

Income represents the fair value of the services, after elimination of intra-group transactions within SRLEV. Income is recognised as described in the following sections.

Premium Income

Premium income from insurance contracts, exclusive of taxes and other charges, comprises regular life premiums (including pensions) and single life premiums.

Regular life premiums, single-premium contracts and limited-premium life insurance policies from life insurance contracts are recognised as income when payment by the policyholder falls due. Interest rate discounts are included in gross premium income and charged to technical claims and benefits during the amortisation period.

Reinsurance Premiums

This item represents premiums on ceded reinsurance contracts. They are charged to the statement of profit or loss in proportion to the contract period.

Fee and Commission Income

Fee and commission income comprises primarily the allocated management fees received from ACTIAM.

ACTIAM obtained a fee related to the asset management activities of the investment portfolio as well as the tactical asset allocation according the mandate agreed upon. A part of the fee earned is reallocated to SRLEV as provider of the assets. Given that these services are provided and consumed during the year, the fees are recognised over time.

Fees from other activities comprise fees received for administrative services provided and other incidental fees received. Depending on the underlying contract, the fees are recognised at a point in time or over time.

Fee and Commission Expense

Commission expenses and management fees are accounted for as fee and commission expense to the extent that they are related to the services received in the reporting period.

Commission costs related to transactions in general account financial instruments is included in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the result.

Share in Result of Associates

This item represents SRLEV's share of profit of its associates. If the carrying amount of an associate falls to zero, no further losses are recognised, unless SRLEV has entered into commitments or made payments on its behalf.

To the extent necessary, the accounting policies applied by associates have been adjusted to ensure consistency with those applied by SRLEV.

Investment Income

Investment income consists of interest, dividends, rental income and revaluations.

Interest

The item interest comprises interest income from investments. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price. The effective interest method is based on estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and direct costs and income, such as transaction costs charged, brokerage fees and discounts or premiums.

Commitment fees, together with related direct costs, are deferred and recognised as adjustments of the effective interest on a loan if it is likely that SRLEV will conclude a particular loan agreement. If the commitment expires without SRLEV having provided the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment period.

Interest income on monetary financial assets that have been subject to impairment and have been written down to the estimated recoverable amount is calculated over the amortised cost of the financial asset net of any reduction for impairment or uncollectibility.

Dividends

Dividends income is recognised in the statement of profit or loss as soon as the entity’s right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividends.

Rental Income

Rental income consists of rentals from investment property. Rental income is recognised as income on a straight-line basis for the duration of the lease agreement.

Revaluations

This item serves to recognise realised and unrealised increases and decreases in the fair value of financial assets qualifying as at fair value through profit or loss. Revaluations concern the difference between the fair value at the reporting date or net proceeds from the sale during the reporting period on the one hand, and the fair value at the beginning of the reporting period or the purchase price during the reporting period on the other.

Realised gains and losses, i.e. the difference between the selling price and amortised cost, of financial assets coming under the other categories are recognised in this item as well.

Investment Income for Account of Policyholders

This item represents income from investments held for account of life insurance policyholders. These investments are measured at fair value. Increases and decreases in the value of investments are recognised in the statement of profit or loss as investment income for account of policyholders. The dividends and interest for account of policyholders are also accounted for in this item.

Results on Investments for Account of Third Parties

This item represents gains and losses on investments for account of third parties. These gains and losses comprise increases and decreases in the fair value changes on the investments for account of third parties respectively the changes in fair value of the liabilities arising from these investments.

Result on Derivatives

Gains and losses on derivative and other financial instruments are recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are directly recognised in the statement of profit or loss within gains and losses on financial instruments. However, if derivatives are designated as hedging instruments, the recognition of a resulting gain or loss depends on the nature of the hedged item and the effectiveness of the hedging relationship. The ineffective portion of any gains or losses of a cash flow hedge is recognised directly as result on derivatives.

Expenses

Expenses are recognised in the statement of profit or loss on the basis of a direct relationship between costs incurred and the corresponding economic benefits. If future economic benefits are expected to occur in different reporting periods, expenses are recognised in the statement of profit or loss based on a systematic allocation method. Expenses are directly recognised in the statement of profit or loss if they do not generate any future economic benefits.

Technical Claims and Benefits

This item comprises benefits and claims paid, surrender, claim handling costs and the changes in the general account insurance liabilities which include the difference between actual and expected results on the general account insurance portfolio. The changes in insurance liabilities resulting from shadow accounting on interest rate derivatives and LAT-deficit are also presented as this item.

Charges for Account of Policyholders

This item comprises changes in provisions for insurance contracts for account of policyholders (see the section entitled 'Life insurance contracts for account of policyholders').

Acquisition Costs for Insurance Activities

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract, including brokerage fees, the costs of medical check-ups and service charges for recording new policies in the portfolio.

Results on Liabilities from Investments for Account of Third Parties

This item represents changes in value of liabilities from investments for account of third parties, which mirror the changes in the fair value of the underlying investments.

Staff Costs

This item concerns expenses related to staff, including salaries, social security contributions and pension costs. The salaries, social security contributions and costs of the SNS REAAL defined contribution pension scheme were charged by Athora Netherlands to SRLEV.

Depreciation and Amortisation of Non-current Assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets. For details on depreciation and amortisation, see Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

Other Operating Expenses

This includes office expenses, accommodation expenses and other operating expenses.

Impairment Losses

This item includes impairments of assets whose carrying amounts exceed their recoverable amounts. Intangible assets, property and equipment, associates, financial assets, receivables and other assets may be subject to impairment. As soon as an impairment loss is identified, it is recognised in the statement of profit or loss. The specific policies for impairment are explained in greater detail in Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

Other Interest Expenses

This item primarily comprises interest expenses related to reinsurance depots as well as interest on subordinated bonds and private loans issued by SRLEV. Interest expenses are recognised in the statement of profit or loss based on the effective interest method.

Other Expenses

Other expenses comprise all expenses that cannot be accounted for within the items in the statement of profit or loss described above. These expenses have no direct relation with the primary and secondary business operations, occur occasionally, and are incurred in a single reporting period or arise in a single reporting period; they are amortised over multiple reporting periods, where applicable.

6.1.7 Contingent Liabilities and Commitments

Contingent liabilities are liabilities not recognised in the statement of financial position because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of SRLEV. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

6.1.8 Cash Flow Statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before tax are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price. In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

6.1.9 COVID-19 Impact

The COVID-19 outbreak has caused significant impact across the world, including to SRLEV, our customers, suppliers, employees and other stakeholders. The key impacts on SRLEV include:

- **Customers:** we have actively informed our customers about the possibilities for potential deferral of premium payment on pension policies and amending the pension scheme for their employees in light of the COVID-19 pandemic. We have also helped customers navigate the support options provided by the government.
- **Financial strength:** Despite a turbulent capital market during the year, our financial position remains strong and the Solvency II ratio is stable. Although the 2020 impact of COVID-19 on our investment returns have proved to be limited, the end of the pandemic is not yet in sight and we will continue to monitor the market.
- **Way of working:** The need for social distancing during the pandemic has resulted in all our employees working remotely for most of 2020 (and likely beyond). This has introduced challenges across technology / tools, relationship building (in particular with a new shareholder and Executive Board) and employee mental health wellbeing which we have to a large extent mitigated through interactive digital meetings and broadcasts, set-up of a COVID-19 proof studio and ensured that management was extra alert with respect to the safety and wellbeing of our employees.

Challenges Ahead

The COVID-19 pandemic is not yet over and remote working will thus remain the norm for the time being. Globally, the economy is suffering from the constraints introduced to manage the spread, and markets remain vulnerable. SRLEV will therefore continue to keep a close eye on how our investments develop and how we can keep our business operations and financial position healthy.

Financial impacts

The impact of COVID-19 as per 31 December 2020 is limited. There was no increase in impairments on investments or amounts in arrears. Additionally, minimum concession (€ 11 thousand) were issued to third parties. The known impact on cashflows were nihil.

The updated mortality tables recently published by the Actuarial Society of the Netherlands did not show a significant increase in mortality risk because of COVID-19. The total amount of technical liabilities were not negatively affected.

The ultimate impact of COVID-19 on our results going forward is still impossible to accurately predict. We will continue to monitor the effects in the longer term.

A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of SRLEV. In its Risk Appetite, SRLEV has defined specific triggers that determine whether a contingency situation exists. The COVID-19 Outbreak might lead to a contingency situation and SRLEV is currently monitoring the potential impact of COVID-19 on its capital and Solvency II ratios, however at the moment based on the current solvency position no contingency situation is identified.

6.2 ACQUISITIONS AND DISPOSALS

Disposal

There were no disposals of businesses in the financial year 2020.

Acquisitions

In 2020 SRLEV has invested in Rabo Dutch Mortgages Fund Yellow for an amount of € 1,244 million, in Athora Lux Invest for an amount of € 245 million and in Apollo Strategic Origination Partners for an amount of nil.

Rabo Dutch Mortgages Fund Yellow

Rabo Dutch Mortgages Fund Yellow is an investment fund controlled by SRLEV specialised in acquiring mortgages. SRLEV is the only investor in the fund.

Athora Lux Invest

Athora Lux Invest is an umbrella investment fund with sub-funds, in which SRLEV is the only investor. At the end of 2020 two sub-funds specialised in commercial real estate and middle market direct lending were controlled by SRLEV.

Apollo Strategic Origination Partners (ASOP)

Apollo Strategic Origination Partners, L.P. is an investment fund organised as a special limited partnership. The fund intends to generate investment income by investing indirectly in private loans to mainly North American and European borrowers. SRLEV will be a limited partner with a 30% share in the fund. At year-end 2020, a capital commitments of € 241 million is given and when capital is required to provide a loan, then the capital call will be made by the General Partner. Subsequently, SRLEV, as one of the limited partners will be entitled to the proceeds from the investments. For more information with regard to ASOP refer to note 2 ‘Investments in Associates’.

In 2019 SRLEV has acquired Bellecom NV and CBRE PFCEE.

Bellecom NV

On 16 December 2019, SRLEV acquired 100% of shares of Bellecom NV for an amount of € 3 million. Bellecom NV invests in commercial real estate (office buildings to be renovated) and its acquisition is part of SRLEV's investment strategy to seek more attractive yields.

The fair value of the identifiable assets and liabilities of Bellecom as at the date of acquisition was € 3 million and comprised primarily the fair value of the investment property. As a result no goodwill was recognised.

CBRE PFCEE

On 19 March 2019, also as a part of its investment strategy, for an amount of € 41 million SRLEV acquired 30% of shares of CBRE PFCEE, a joint fund under Dutch law. CBRE PFCEE invests in commercial real estate. For more information with regard to CBRE PFCEE refer to note 2 'Investments in Associates'.

6.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Property and Equipment

BREAKDOWN OF PROPERTY AND EQUIPMENT		
In € millions	2020	2019
Land and buildings for own use	38	50
Other assets	-	-
Total	**38**	**50**

STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2020			
In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	78	1	**79**
Accumulated depreciation and impairments	-40	-1	-41
Balance as at 31 December	**38**	**-**	**38**
Balance as at 1 January	**50**	**-**	**50**
Reclassifications	-4	-	**-4**
Depreciation	-2	-	**-2**
Impairments	-6	-	**-6**
Balance as at 31 December	**38**	**-**	**38**

The reclassification of Land and Buildings concerns the reclassification of the property in Assen to Investment Property.

STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2019			
In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	82	1	**83**
Accumulated depreciation and impairments	-32	-1	**-33**
Balance as at 31 December	**50**	**-**	**50**
Balance as at 1 January	**51**	**1**	**52**
Depreciation	-1	-1	**-2**
Impairments	4	-	**4**
Other	-4	-	**-4**
Balance as at 31 December	**50**	**-**	**50**

Rental Income

Two offices included in property own use are partially let to other parties. The main lessor of those offices is Athora Netherlands NV. The expiration dates of these agreements are between 2021 and 2023.

The rental income from operating leases of the properties own use is combined with rental income for property classified as investment property and reported as part of Investment income (see Note 25 Investment Income).

The future lease payments (excluding service costs and VAT) to be received for property own use for a period up to one year are € 4.5 million, for a period of one to two years € 2.0 million, for a period of two to three years €0.6 million.

Appraisal of Land and Buildings for Own Use

All land and buildings for own use are appraised by an external surveyor in three stages spread across the first three quarters of the calendar year: one third in the first quarter, the next third in the second quarter and the final third in the third quarter. The external surveyor updates the appraisals at the end of the fourth quarter. Consequently, properties are appraised two times a year.

VALUATION OF LAND AND BUILDINGS FOR OWN USE

In € millions	Assessed	Carrying amount	Appraised value as % of total carrying amount
2020	38	38	100%
2019	50	50	100%

2 Investments in Associates

This item comprises SRLEV's investment in CBRE Property Fund Central and Eastern Europe (CBRE PFCEE). The statement below shows the principal associate (CBRE PFCEE) at year-end 2020. CBRE PFCEE's share capital is comprised entirely of ordinary shares and SRLEV holds an interest in those shares. CBRE PFCEE operates as a joint fund under Dutch law (in Dutch: fonds voor gemene rekening) and invests in commercial real estate in Central and Eastern Europe. The statutory objective of CBRE PFCEE is to invest in real estate directly or indirectly with the main focus on maximising the rental income. The shares of the associate are not listed.

OVERVIEW OF INVESTMENTS IN ASSOCIATES 2020

Name	Country of incorporation	% of ownership interest	Measurement method
CBRE Property Fund Central and Eastern Europe (CBRE PFCEE)	NL	30%	Equity
Apollo Strategic Origination Partners (ASOP)	Bermuda	30%	Equity

OVERVIEW OF INVESTMENTS IN ASSOCIATES 2019

Name	Country of incorporation	% of ownership interest	Measurement method
CBRE Property Fund Central and Eastern Europe (CBRE PFCEE)	NL	30%	Equity

STATEMENT OF CHANGES IN INVESTMENTS IN ASSOCIATES

In € millions	2020	2019
Balance as at 1 January	**37**	**-**
Capital invested	2	**45**
Repayment of capital invested	-	**-7**
Result of associate	1	1
Dividend received	-2	-2
Balance as at 31 December	**38**	**37**

CONDENSED STATEMENT OF FINANCIAL POSITION OF CBRE PFCEE		
In € millions	**2020**	**2019**
Non-current assets	151	157
Current assets	13	13
Total assets	**164**	**170**
Current liabilities	2	3
Non-current liabilities	43	43
Total liabilities	**45**	**46**
Net assets	**119**	**124**

CONDENSED STATEMENT OF PROFIT OR LOSS OF CBRE PFCEE		
In € millions	**2020**	**2019**
Revenue	15	22
Expenses	15	8
Result continued operations	**-**	**14**
Tax expense	-	2
Net result continued operations	**-**	**12**

The information above was derived from CBRE PFCEE's financial statements. CBRE PFCEE's financial year ends on 31 December 2020. The financial statements have been prepared in accordance with IFRS. It does not represent the share of SRLEV in its profits.

The Apollo Strategic Origination Fund is still in its start-up phase. No capital was distributed per 31 December 2020. Equity value as per 31 December 2020 is therefore nil.

3 Investment Property

STATEMENT OF CHANGES IN INVESTMENT PROPERTY		
In € millions	**2020**	**2019**
Balance as at 1 January	**458**	**401**
Reclassifications	5	-
Investments	46	25
Divestments	-7	-4
Revaluations	19	31
Other movements	-	5
Balance as at 31 December	**521**	**458**

Investment property mainly consists of offices and retail properties. Investment property mainly consists of offices and retail properties. The reclassification in 2020 represents the reclassification of the property in Assen from Property own use to investment property (€ 5 million).

The rental income from operating leases of the investment property is reported in Note 25 Investment Income. In 2020, rental concessions in relation to COVID-19 were made to the amount of € 11 thousand.

The future lease payment (excluding service costs and VAT) to be received for investment property (with a definite contract period) for a period of up to one year is € 27 million; for a period of one to two years is € 23 million; for a period of two to three years is € 21 million; for a period of three to four years is € 18 million; for a period of four to five years is € 15 million; for a period of longer than five years is € 12 million.

4 Investments

BREAKDOWN OF INVESTMENTS		
In € millions	2020	2019
Fair value through profit or loss: Designated	174	186
Available for sale	31,055	29,702
Loans and receivables	9,947	8,949
Balance as at 31 December	**41,176**	**38,837**

Investments for own account increased in 2020 by € 2.3 billion compared to 2019. This is mainly caused by the increase in the available for sale portfolio (€ 1.3 billion) as the result of higher volumes of new investments combined with the positive revaluations of the fixed income portfolio due to decreased market interest rates. The remaining € 1.0 billion increase in loans and receivables is driven by the purchase of new mortgage portfolio and growth of the existing mortgage portfolio which was partly offset by redemptions of private loans linked to saving mortgages.

BREAKDOWN OF FAIR VALUE THROUGH PROFIT OR LOSS: LISTED AND UNLISTED		
	Designated Fixed-income	
In € millions	2020	2019
Listed	174	186
Unlisted	-	-
Total	**174**	**186**

STATEMENT OF CHANGES IN FAIR VALUE THROUGH PROFIT OR LOSS		
	Designated Fixed-income	
In € millions	2020	2019
Balance as at 1 January	**186**	**186**
Disposals and redemptions	-18	-10
Revaluations	6	10
Received Coupons	-5	-5
Accrued Interest	5	5
Balance as at 31 December	**174**	**186**

BREAKDOWN OF AVAILABLE FOR SALE: LISTED AND UNLISTED						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2020	2019	2020	2019	2020	2019
Listed	-	-	27,187	26,548	**27,187**	**26,548**
Unlisted	2,514	2,196	1,354	958	**3,868**	**3,154**
Total	**2,514**	**2,196**	**28,541**	**27,506**	**31,055**	**29,702**

The increase of shares and similar investments in 2020 was caused by the higher investments in money market funds. Fixed-income investments in the AFS portfolio increased with € 1.0 billion due to higher revaluations as result of the decreased market interest rates and higher investments of received premiums.

STATEMENT OF CHANGES IN AVAILABLE FOR SALE						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2020	2019	2020	2019	2020	2019
Balance as at 1 January	**2,196**	**3,596**	**27,506**	**23,960**	**29,702**	**27,556**
Purchases and advances	16,559	19,476	19,763	14,152	**36,322**	**33,628**
Disposals and redemptions	-16,205	-20,879	-19,046	-11,159	**-35,251**	**-32,038**
Revaluations	3	27	695	680	**698**	**707**
Impairments	-4	4	-	-	**-4**	**4**
Amortisation	-	-	-170	-168	**-170**	**-168**
FX Result	-11	11	-186	70	**-197**	**81**
Received Coupons	-	-	-564	-633	**-564**	**-633**
Accrued Interest	-	-	543	604	**543**	**604**
Dividend Received/ Negative Distribution	-24	-39	-	-	**-24**	**-39**
Balance as at 31 December	**2,514**	**2,196**	**28,541**	**27,506**	**31,055**	**29,702**

During the year, most of the disposals and redemptions stated above relate to Dutch sovereigns bonds. The proceeds have been reinvested in German, Dutch, French, Finnish and Belgian short-term sovereign bonds.

BREAKDOWN OF AVAILABLE FOR SALE: MEASUREMENT						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2020	2019	2020	2019	2020	2019
(Amortised) cost	2,486	2,178	24,777	23,940	**27,263**	**26,118**
Revaluation	28	18	3,467	3,212	**3,495**	**3,230**
Accrued interest	-	-	297	354	**297**	**354**
Balance as at 31 December	**2,514**	**2,196**	**28,541**	**27,506**	**31,055**	**29,702**

SRLEV has lent some of its fixed-income investments for the purpose of additional income. The carrying amount of the investments lent in a securities lending program as at 31 December 2020 amounts to € 1,690 million (2019: € 2,316 million). The lending periods are open-ended and can be terminated on request. The fair value of investments received from the counterparty as collateral at 31 December 2020 was € 1,750 million (2019: € 1,965 million). Collateral is only accepted in the form of equity and fixed income securities, with restrictions on the quality. Although collateral is at the disposal of SRLEV, it is SRLEV's policy not to trade with collateral received given the open-ended character of the initial securities lending transaction.

Some investments have been posted as collateral for amounts due to derivatives. The carrying amount (market value) of investments posted as collateral at 31 December 2020 was € 1,866 million (2019: € 1,695 million). The collateral received for derivatives are reported in Note 38 Financial Instruments.

BREAKDOWN OF LOANS AND RECEIVABLES		
In € millions	**2020**	**2019**
Mortgages	3,974	2,619
Private loans linked to savings mortgages	3,967	4,399
Other private loans	2,006	1,931
Total	**9,947**	**8,949**
Provision for bad debts	-	-
Total	**9,947**	**8,949**

The increase in mortgages by € 998 million was driven by an investment of € 1,142 million to further expand the existing exposure to Dutch residential mortgage loans and higher inflows from existing brands. Private loans linked to savings mortgages decreased due to redemptions, while the other private loans portfolio slightly increased due to new lendings in 2020.

STATEMENT OF CHANGES IN LOANS AND RECEIVABLES		
In € millions	**2020**	**2019**
Balance as at 1 January	**8,949**	**8,280**
Purchases and advances	2,913	2,044
Disposals and redemptions	-2,017	-1,559
Amortisation	-12	-14
Realised Revaluation	2	-
Accrued interest	158	188
FX Result	-46	10
Balance as at 31 December	**9,947**	**8,949**
Balance provisions as at 1 January	-	-
Release due to derecognition	-	-
Balance provisions as at 31 December	**-**	**-**
Total	**9,947**	**8,949**

Investment Portfolio

BREAKDOWN OF INVESTMENTS OF INSURANCE BUSINESS		
In € millions	**2020**	**2019**
Investments		
- Fair value through profit or loss: Designated	174	186
- Available for sale	28,541	27,506
- Loans and receivables	2,006	1,931
Interest-bearing investment portfolio	**30,721**	**29,623**
Mortgages	3,974	2,619
Private loans linked to savings mortgages	3,967	4,399
Total	**38,662**	**36,641**

The mortgages and private loans linked to savings mortgages are not rated and have the Netherlands as geographic area. For more information about the private loans linked to savings mortgages see note 19 Guarantees and Commitments.

The following table shows the breakdown of the interest-bearing investment portfolio by sector.

BREAKDOWN OF INTEREST-BEARING INVESTMENT PORTFOLIO (SECTOR)				
In € millions	2020		2019	
Sovereign	20,746	68%	19,901	67%
Corporate bonds - financial sector	5,293	17%	3,666	12%
Corporate bonds - non-financial sector	2,202	7%	3,309	11%
Mortgage backed securities	451	1%	791	3%
Loans	2,006	7%	1,913	7%
Other	23	0%	43	0%
Total	**30,721**	**100%**	**29,623**	**100%**

Compared to 2019 a shift can be noticed from non-financial sector corporate bonds and mortgage backed securities in favor of financial sector corporate and sovereign bonds. The decrease of the interest-bearing investment portfolio is due to the sale of VIVAT Schade in 2020.

The following overview includes the interest-bearing investments by rating category.

BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (RATING)				
In € millions	2020		2019	
AAA	15,014	49%	14,905	50%
AA	6,690	22%	5,707	19%
A	5,232	17%	4,864	17%
BBB	2,772	9%	3,194	11%
< BBB	27	0%	124	0%
Not rated	986	3%	829	3%
Total	**30,721**	**100%**	**29,623**	**100%**

In 2020, SRLEV continued its re-risking strategy reflected in the increase of the AA rated investments in the interest-bearing investment portfolio (2020: 22%, 2019: 19%) at the expense of AAA rated investments.

The interest bearing investment portfolio by geographic area is included in the table below.

BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (GEOGRAPHIC)				
In € millions	**2020**		**2019**	
Germany	9,082	29%	8,890	30%
Netherlands	5,330	17%	6,053	20%
United States Of America	3,061	10%	2,509	8%
France	2,647	9%	2,301	8%
Austria	1,395	4%	1,066	4%
United Kingdom	1,183	4%	775	3%
Belgium	1,162	4%	1,060	3%
Finland	1,000	3%	-	0%
Japan	898	3%	475	2%
Denmark	549	2%	-	0%
Luxembourg	382	1%	531	2%
Spain	365	1%	683	2%
Switzerland	273	1%	206	1%
Sweden	239	1%	-	0%
Other European countries	2,682	9%	3,990	13%
Oceania	265	1%	165	1%
America	208	1%	531	2%
Asia	-	0%	359	1%
Africa	-	0%	29	0%
Total	**30,721**	**100%**	**29,623**	**100%**

The interest-bearing investment portfolio of SRLEV have predominantly European debtors. The German Government and Dutch Government represent, as single debtors, an interest of more than 5% each in the interest-bearing investment portfolio.

The category "Other European countries" also consists of European and other international institutions that cannot be allocated to a single country (2020: € 1,648 million / 2019: € 906 billion).

BREAKDOWN OF INVESTMENT OF MORTGAGE BUSINESS PER RISK CATEGORY		
In € millions	**2020**	**2019**
Mortgages < 75% of foreclosure value	2,061	1,256
Mortgages 75% < > 100% of foreclosure value	799	479
Mortgages > 100% of foreclosure value	144	40
Mortgages with National Mortgage Guarantee	970	844
Residential property in the Netherlands	**3,974**	**2,619**
Specific provision for bad debts	-	-
Total	**3,974**	**2,619**

5 Investments for Account of Policyholders

Investments for account of policyholders include investments under unit-linked policies for an amount of € 11,520 million (2019: € 11,446 million) and separate investment deposits for separate accounts amounting to € 2,268 million (2019: € 2,074 million).

BREAKDOWN OF INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS: LISTED AND UNLISTED		
In € millions	**2020**	**2019**
Shares and similar investments:		
- Listed	12,701	12,398
- Unlisted	410	364
Fixed-income investments		
- Listed	426	488
- Unlisted	251	270
Total	**13,788**	**13,520**

As a consequence of the consolidation of investments funds, the investments for account of policyholders within these funds are represented by the underlying investments.

STATEMENT OF CHANGES IN INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS		
In € millions	**2020**	**2019**
Balance as at 1 January	**13,520**	**11,989**
Purchases and advances	2,839	1,367
Disposals and redemptions	-3,157	-1,777
Changes in fair value	701	2,045
Dividend Received/Negative Distribution	-100	-124
Received Coupons	-14	-17
Accrued Interest	23	28
FX Result	-22	5
Other movements	-2	4
Balance as at 31 December	**13,788**	**13,520**

The increase of investments for account of policyholders was mainly driven by positive fair value changes due to combination of decreasing market interest rates and increasing stock markets. The positive fair value changes are partially offset by the transition of investments under unit-linked policies to investments for account of third parties.

6 Investments/Liabilities for Account of Third Parties

The third party investments comprise solely of shares and similar investments.

The third party investments amount to € 1,338 million (2019: € 448 million) and largely consist of ACTIAM Responsible Index Funds. The increase of third party investments in 2020 is the consequence of higher recognition of external participators due to the merge of several ACTIAM funds and positive revaluations.

STATEMENT OF CHANGES IN INVESTMENTS FOR ACCOUNT OF THIRD PARTIES		
In € millions	**2020**	**2019**
Balance as at 1 January	**448**	**347**
Purchases and advances	1,006	**21**
Disposals and redemptions	-231	-6
Changes in fair value	115	86
Balance as at 31 December	**1,338**	**448**

7 Derivatives

BREAKDOWN OF DERIVATIVES						
	Positive value		Negative value		Balance	
In € millions	2020	2019	2020	2019	2020	2019
Derivatives for which cash flow hedge accounting is applied	284	224	-	-	**284**	**224**
Derivatives for which fair value hedge accounting is applied	-	-	-	1	**-**	**-1**
Derivatives held in the context of asset and liability management to which no hedge accounting is applied	5,068	2,793	1,080	673	**3,988**	**2,120**
Total	**5,352**	**3,017**	**1,080**	**674**	**4,272**	**2,343**

The derivatives position increased with € 1,929 million in 2020. This is mainly due to changes in market value caused by the decrease of long-term interest rate (€ 1,591 million) and the weakening of foreign currency mainly the USD (€ 281 million). Long-term interest rates decreased in 2020 and therefore the (receiver) swaps increase in value. The investments in foreign currency decreased in value due to the currency movements. Consequently the derivative hedging portfolio increased in value.

STATEMENT OF CHANGES IN DERIVATIVES		
In € millions	2020	2019
Balance as at 1 January	**2,343**	**461**
Purchases	53	2
Disposals	1	136
Realised gains and losses	-155	108
Revaluations	1,745	1,831
Exchange rate differences and FX result	281	-187
Accrued interest	4	-8
Balance as at 31 December	**4,272**	**2,343**

The disposals mainly consist of bond forwards (€ 82 million) and bond futures (€ 83 million) due to daily settlement of market value movements, and the settlement of FX forwards (-€ 174 million).

For more information about derivatives see Note 28 Results on derivatives and Note 39 Hedging and hedge accounting.

8 Deferred Tax

ORIGIN OF DEFERRED TAX 2020				
In € millions	1 January	Change through profit or loss	Change through equity	31 December
Capitalised acquisition costs insurance activities	**17**	1	-	**18**
(Investment) property and equipment	**-52**	-14	-	**-66**
Investments	**-579**	-2	-163	**-744**
Derivatives	**-421**	-516	-31	**-968**
Insurance contracts	**1,458**	688	200	**2,346**
Provision for employee benefits	**12**	5	5	**22**
Received loans	**8**	-2	-	**6**
Other	**-1**	-26	-	**-27**
Total	**442**	**134**	**11**	**587**

ORIGIN OF DEFERRED TAX 2019					
In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Capitalised acquisition costs insurance activities	**17**	-	-	-	**17**
(Investment) property and equipment	**-42**	-10	-	-	**-52**
Investments	**-427**	17	-169	-	**-579**
Derivatives	**-12**	-387	-22	-	**-421**
Insurance contracts	**877**	387	194	-	**1,458**
Provision for employee benefits	**6**	1	5	-	**12**
Carry forward losses	**33**	-	-	-33	**-**
Received loans	**9**	-1	-	-	**8**
Other	**1**	-2	-	-	**-1**
Total	**462**	**5**	**8**	**-33**	**442**

The total amount of change in deferred tax through profit or loss is € 134 million (2019: € 5 million). This amount is due to temporary differences (2020: € 76 million; 2019: € -30 million) and to the impact of change in corporate income tax rate (2020: € 58 million; 2019: € 34 million). See also note 36 Income Tax.

On 17 December 2019 The Senate approved the Tax Plan 2020 including the changes to the corporate income tax rate of 25% (2020) and 21.7% (2021). This means that these tax rate changes are substantively enacted and that the 31 December 2019 deferred tax calculation is based on these updated rates. The total impact of the change 2019 in tax rate is € 33 million (gain) of which € 34 million via the profit or loss account as tax benefit and € 1 million as a loss via equity.

However, on 15 September 2020, the Dutch government published the 2021 budget proposals, which include a proposal of the corporate income tax rate in 2021. These tax rate changes replaced the tax rate changes as announced and substantively enacted at the end of 2019. This proposed change was substantively enacted per year end 2020. In 2021 and further years the corporate income tax rate remains 25%. As a result the deferred tax position per ultimo 2020 is recalculated at 25%. The total impact of the reversal of corporate income tax rate reduction is € 66 million (gain) of which € 58 million via profit or loss account as tax benefit and € 8 million via equity.

9 Loans and Advances due from Banks

BREAKDOWN OF LOANS AND ADVANCES DUE FROM BANKS		
In € millions	2020	2019
Loans relating to saving components of mortgages	257	254
Collateral	177	154
Deposits	32	181
Loans to banks	123	123
Balance as at 31 December	**589**	**712**

This item relates mainly to loans and advances due from banks other than interest-bearing securities. Of the total amount of € 589 million (2019: € 712 million), € 177 million has a remaining term to maturity of less than three months (2019: € 207 million).

Cash collateral advanced to banks is related to the market value of derivatives. The decrease of the market value of the derivatives explains the increase of the paid collateral for the year.

10 Other Assets

BREAKDOWN OF OTHER ASSETS		
In € millions	2020	2019
Receivables from policyholders	46	39
Receivables from intermediaries	47	66
Receivables from direct insurance	**93**	**105**
Receivables from group companies	13	16
Accrued interest	15	18
Accrued other assets	51	21
Accrued assets	**66**	**39**
Other advances	74	68
Total	**246**	**228**

The receivables are expected to be recovered within twelve months after reporting date.

11 Cash and Cash Equivalents

BREAKDOWN OF CASH AND CASH EQUIVALENTS		
In € millions	2020	2019
Short-term bank balances	321	266
Total	**321**	**266**

Short-term bank balances are at the company's free disposal.

SRLEV and its subsidiaries have a joint credit facility of € 7.5 million in total with ABN AMRO.

12 Equity

BREAKDOWN OF EQUITY		
In € millions	2020	2019
Equity attributable to Shareholders	3,334	3,160
Equity attributable to Holders of Other equity instruments	350	250
Total	**3,684**	**3,410**

The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share for a total value of € 45,000.

At the end of June 2020, Athora Netherlands NV strengthened the capital position of SRLEV via € 200 million share premium contribution and € 100 million Tier 1 Capital loan.

In June 2020, SRLEV was provided a perpetual Tier 1 Capital loan by its parent company Athora Netherlands NV. The € 100 million subordinated loan is perpetual and is classified as equity instrument and consequently recognised as part of equity as there is no contractual obligation for SRLEV, as issuer of the loan, to repay the principal or to pay interest.

The notes are first callable after five years and each interest payment date thereafter, subject to conditions to redemption. The coupon is fixed at 6.50% per annum until the first call date and payable annually in arrears on 30 June in each year, commencing on 30 June 2021. Interest on this loan is recognised directly via equity instead of via the statement of profit or loss.

In July 2017, SRLEV was provided a perpetual Tier 1 Capital loan by its parent company Athora Netherlands NV. The € 250 million subordinated loan is perpetual and is classified as equity instrument and consequently recognised as part of equity as there is no contractual obligation for SRLEV, as issuer of the loan, to repay the principal or to pay interest.

The notes are first callable after five years and each interest payment date thereafter, subject to conditions to redemption. The coupon is fixed at 7.75% per annum until the first call date and payable annually in arrears on 30 March in each year. Interest on this loan is recognised directly via equity instead of via the statement of profit or loss.

13 Subordinated Debt

BREAKDOWN OF SUBORDINATED DEBT		
In € millions	2020	2019
Bonds	351	359
Private loans	415	415
Total	**766**	**774**

STATEMENT OF CHANGES IN SUBORDINATED DEBT		
In € millions	2020	2019
Balance as at 1 January	**774**	**779**
Changes market value due to hedging	-8	-9
Currency gains and losses	-	4
Balance as at 31 December	**766**	**774**

Subordinated Bonds

BREAKDOWN OF SUBORDINATED BONDS							
				Carrying amount		Nominal value	
In € millions	Coupon	Maturity	First call date	2020	2019	2020	2019
SRLEV NV	9.000%	April 2011 - April 2041	April - 2021	250	250	250	250
SRLEV NV (Swiss Franc)	mid-swap plus 5.625%	July 2011 - perpetual	December - 2021	97	97	97	97
Total				**347**	**347**	**347**	**347**
Hedge accounting adjustment				4	12	-	-
Total				**351**	**359**	**347**	**347**

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041. In June 2018, SRLEV partially repurchased these notes of a notional amount of € 150 million. The notes qualify as Tier 2 regulatory capital under Solvency II.

In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The CHF bond had a first redemption date on 19 December 2016. SRLEV decided not to exercise its redemption option to redeem the CHF bond in December 2016, 2017, 2018, 2019 and 2020. Under the Solvency II transitional measures the CHF bond qualifies in full as Restricted Tier 1 own funds in the calculation of Solvency II own funds for ten years after 1 January 2016. At this specific time, it has been determined that it is currently in the interests of SRLEV not to exercise the redemption option to redeem the CHF Bond.

Subordinated Private Loans

BREAKDOWN OF SUBORDINATED PRIVATE LOANS					
In € millions	Coupon	Maturity	First call date	2020	2019
Athora Netherlands NV	7.750%	2015 - 2025	December - 2025	140	140
Athora Netherlands NV	3.780%	2017 - 2027	November - 2022	95	95
Athora Netherlands NV	3.600%	2018 - 2028	June - 2023	180	180
Total				**415**	**415**

On 29 December 2015, Athora Netherlands NV granted a loan to SRLEV NV in the amount of € 140 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan with the possibility of interest deferral, early repayment and variation. The loan bears a fixed interest rate of 7.75% annually.

On 15 November 2017, Athora Netherlands NV granted a loan to SRLEV NV in the amount of € 95 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan, first callable after 5 years, with the possibility of interest deferral, early repayment and variation. The loan bears an interest fixed rate of 3.78% annually.

In June 2018, Athora Netherlands NV granted a loan to SRLEV NV in the amount of € 180 million. The loan is a 10-years Solvency II Tier 2 subordinated loan with a maturity date at 19 June 2028. The loan is first callable after 5 years with a first call date at 19 June 2023. The loan bears a fixed interest coupon of 3.6% per annum.

14 Insurance Liabilities and Reinsurance Share

As per 31 December 2020, the total amount of insurance liabilities is € 51,341 million (2019: € 48,868 million). The reinsurers' share is € 27 million (2019: € 46 million).

SRLEV sells Individual Life insurance policies in the retail and SME markets and Life Corporate insurance policies in the entire corporate market in the Netherlands. The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings-based mortgage policies, term assurance policies (ORV) and life annuity insurance policies providing regular payments for the remainder of the holder's life. The Life Corporate insurance portfolio mainly consists of traditional contracts, group policies with separate accounts and of unit-linked policies.

BREAKDOWN OF INSURANCE LIABILITIES AND ITS REINSURERS SHARE PER TYPE OF RESERVE				
	Gross		Reinsurance	
In € millions	2020	2019	2020	2019
Provision for Life insurance obligations (14.1)	25,766	26,279	27	46
Results on allocated investments and interest derivatives (14.1)	8,817	6,651	-	-
Cumulative LAT deficit (14.3)	2,183	1,758	-	-
Unamortised interest rate discounts (14.1)	331	186	-	-
Provision for profit-sharing, bonuses and discounts (14.1)	54	71	-	-
Life, for own risk	**37,151**	**34,945**	**27**	**46**
Technical provisions for insurance on behalf of policyholders	14,190	12,384	-	-
Life, for account of policyholders (14.2)	**14,190**	**13,923**	**-**	**-**
Total	**51,341**	**48,868**	**27**	**46**

14.1 Life, for Own Risk

STATEMENT OF CHANGES IN PROVISIONS FOR LIFE INSURANCE OBLIGATIONS FOR OWN RISK				
	Gross		Reinsurance	
In € millions	2020	2019	2020	2019
Balance as at 1 January	**26,279**	**26,551**	**46**	**77**
Portfolio transfers	14	268	-	-
Benefits paid	-2,185	-2,260	-21	-221
Premiums received	1,090	1,119	3	195
Interest added	778	816	2	4
Technical result	-79	-84	-2	-9
Release of expense loading	-123	-128	-1	-
Other movements	-8	-3	-	-
Balance as at 31 December	**25,766**	**26,279**	**27**	**46**

The Life portfolio contains individual and group insurance policies. In 2020, an amount of € 14 million was transferred from life insurance on behalf of policyholders to life insurance liabilities (2019: € 268 million). This concerned group pension contracts. At the end of the contract terms, these contracts were converted into other contract forms for account of SRLEV. This transfer took place in dialogue with the customers.

The increase in reinsurance benefits paid and premiums received compared to 2019 is mainly due to the increased quota share percentage for the longevity reinsurance contract at year-end 2019. For further details about the longevity contracts, refer to Note 14.3 Liability Adequacy Test Results.

Traditional Insurance Policies

In principle, SRLEV bears the investment risk related to traditional insurance policies. Special categories are formed by the saving mortgage insurance, in which the return on the savings portion is linked to the associated mortgage loan. A small portion of the private loans linked saving mortgages portfolio is exposed to counterparty default risk.

A form of profit-sharing exists, or an interest rate rebate has been granted, for a significant portion of the portfolio. This breakdown is included in the accompanying table.

BREAKDOWN OF TRADITIONAL INSURANCE POLICIES

In € millions	2020	2019
With profit-sharing (operational or surplus interest)	9,203	9,339
With interest rate discounts (or surcharges)	4,296	4,221
Without profit-sharing	8,277	8,332
Savings-based mortgages	3,990	4,387
Total traditional insurance policies	**25,766**	**26,279**

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2020 and 2019, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR).

RESULTS ON ALLOCATED INVESTMENTS AND INTEREST DERIVATIVES

In € millions	2020	2019
Revaluation reserve of fixed income investment portfolio	3,235	2,875
Results on fixed income financial assets backing insurance contracts with discretionary participation features and related derivates	5,582	3,776
Total	**8,817**	**6,651**

The revaluation reserve of fixed income investment portfolio increased by € 360 million. The decreasing interest rates have lead to a positive impact on the market value of assets.

Shadow accounting increased with € 1,806 million mainly as a result of interest rate movements (shadow accounting mainly consists ofreturns and expected cashflows on derivatives, realised results on bonds sold and amortisation on Shadow Accounting).

STATEMENT OF CHANGES IN UNAMORTISED INTEREST RATE DISCOUNTS		
	Life own risk	
In € millions	2020	2019
Balance as at 1 January	**186**	**81**
Discounts granted in the financial year	172	116
Amortisation	-27	-11
Balance as at 31 December	**331**	**186**

The increase is caused by structural low interest rates.

STATEMENT OF CHANGES IN PROVISION FOR PROFIT-SHARING, BONUSES AND DISCOUNTS		
	Life own risk	
In € millions	2020	2019
Balance as at 1 January	**71**	**57**
Profit-sharing, bonuses and discounts granted in the financial year	-17	14
Balance as at 31 December	**54**	**71**

The increase was mainly a result of technical results within a part of the product portfolio.

14.2 Life, for Account of Policyholders

STATEMENT OF CHANGES IN TECHNICAL PROVISIONS FOR INSURANCE ON ACCOUNT OF POLICYHOLDERS		
In € millions	2020	2019
Balance as at 1 January	**13,923**	**12,384**
Portfolio transfers	-14	-268
Premiums received	672	729
Benefits paid	-1,048	-961
Interest added	38	41
Changes in valuation and exchange rate	691	2,046
Technical result	-15	12
Release of expense loading	-57	-59
Other movements	-	-1
Balance as at 31 December	**14,190**	**13,923**

Insurance Policies in Investment Units

Policyholders usually bear the investment risk for insurance policies in investment units (unit-linked investment units). SRLEV is in principle, not exposed to interest rate risk, price risk, exchange rate risk or counterparty default risk. For Individual Life the Insurance Policies in Investment Units only contains investment funds in units without additional provisions and company profit sharing which are already reported under Own Risk. For part of the portfolio however, SRLEV has issued minimum guarantees, as a result of which the interest rate risk, price risk and exchange rate risk for these contracts are for the account and risk of SRLEV. The value of the guarantees within the portfolio is measured periodically.

SRLEV's portfolio includes also group policies with separate accounts and unit-linked policies. The separate accounts have an interest guarantee. At the current low interest rates this option has value for the customer.

The increase in 2020 was mainly caused by market value movements in related assets.

BREAKDOWN OF INSURANCE POLICIES IN INVESTMENT UNITS		
In € millions	2020	2019
Without guarantee	10,583	10,488
With guarantee	3,607	3,435
Total	**14,190**	**13,923**

14.3 Liability Adequacy Test results

RECONCILIATION OF THE IFRS INSURANCE LIABILITIES AND THE LAT RESULTS		
	Life insurance LAT	
In € millions	2020	2019
Insurance liabilities before LAT	45,896	44,189
IFRS LAT reserve	51,857	49,311
Deficit	**-5,961**	**-5,122**

The deficit is covered by the revaluation reserve of the fixed income investment portfolio (2020: € 3,235 million; 2019: € 2,875 million) and by the surplus value of the investments (mortgages and part of the loans and receivables) measured at amortised cost (2020: € 543 million; 2019: € 490 million). The remaining cumulative LAT deficit at 31 December 2020 amounts to € 2,183 million (2019: € 1,757 million) and is added to the insurance liabilities before LAT.

The increase in the cumulative LAT deficit amounts to € 426 million (2019: € 9 million decrease) which is charged through the income statement. The development of the LAT deficit was mainly a result of:

- Portfolio developments and the related market impact (€ 73 million increase of LAT margin);
- Operating Assumption Changes have led to an increase of the LAT margin of € 23 million. This increase consists of two offsetting impacts: an update of underwriting parameters of € 177 million (including changed mortality assumptions of € 164 million) and updated expense parameters (€ -174 million);
- The Ultimate Forward Rate (UFR) change from 3,90% to 3,75% (€ 96 million decrease of LAT margin);
- New Longevity Reinsurance contract (€ 188 million decrease of LAT margin).

STATEMENT OF CHANGES IN IFRS LAT RESERVE		
In € millions	2020	2019
Balance as at 1 January	**49,311**	**45,324**
Portfolio Movements	-995	-911
Operating Assumption Changes:		
- Lapse	35	1
- Mortality	-202	-333
- Disability	-	-1
- Expense	-11	2
- Assetmanagement costs	184	25
- Update Risk Margin Assumption Changes	-9	-19
Market Impacts	3,249	4,956
Other	295	267
Balance as at 31 December	**51,857**	**49,311**

The increase of the market value of liabilities is largely caused by market impacts (€ 3,249 million) that primarily consist of the change of the swap interest rates (€ 2,987 million) and the increase of fund value within the Unit Linked portfolio (€ 246 million). The increase of the market value of liabilities is partially offset by portfolio movements (€ -995 million). The parameter updates in 2020 caused the market value of liabilities to decrease with € -3 million in total.

Other items can be mainly ascribed to initial changes including a new longevity re-insurance contract (€ 188 million) and the UFR decrease from 3.90% to 3.75% (€ 96 million).

Longevity reinsurance

In 2020 Athora Netherlands has entered in a new (additional) longevity reinsurance contract, further decreasing SRLEV's longevity risk and positively affecting the Solvency II ratio for SRLEV and Athora Netherlands. The longevity contracts are included in LAT calculation and as such, presented as part of the cumulative LAT deficit The 2020 transaction has a one-off impact of € 188 million increase in IFRS LAT reserve, the result of the net present value of the future reinsurance premiums and benefits which is partly offset by a decrease in risk margin. Per ultimo 2020 the longevity reinsurance contracts are included in the cumulative LAT deficit for € 637 million (2019: € 255 million).

More elaboration on the significant developments with regards to risk disclosures are considered in chapter 7.

15 Provision for Employee Benefits

BREAKDOWN OF PROVISION FOR EMPLOYEE BENEFITS		
In € millions	2020	2019
Pension commitments	219	198
Total	**219**	**198**

Pension Commitments

Defined Contribution Scheme

The pension scheme to which SRLEV employees are entitled is a defined contribution scheme. Under this scheme, Athora Netherlands NV pays a fixed amount to Stichting Pensioenfonds SNS REAAL.

Defined Benefit Schemes

SRLEV has several legacy pension schemes with pension entitlements of current and former employees of SRLEV and the companies it acquired over the years. Most of these legacy pension schemes have been insured by SRLEV and few with other insurance companies.

The fair value of the plan assets of these plans is determined based on different methodologies. Investments relating to pension schemes that are included in a separate investment account are offset against the present value of defined benefit obligations. Non-separated investments are recognised within investments in the statement of financial position.

SRLEV's total contribution to these defined benefit schemes is expected to be approximately € 1.1 million in 2021 (2020: € 1.7 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

Regarding the several defined benefit schemes, as explained below, there are no changes with respect to terms and conditions.

Pension Scheme Former AXA and Winterthur (Defined Benefit Scheme)
The accrual of new pension rights of former employees of Winterthur, UAP, Equity & Law (E&L) and Guardian have been transferred to the Stichting Pensioenfonds SNS REAAL as from 1 January 2009.

The schemes of Winterthur, UAP and Equity & Law (E&L) are insured with SRLEV NV, without the investments being separated; instead they are recognised within investments in the statement of financial position and included in the balance sheet item Investments.

The Guardian pension scheme is insured externally. No direct investment allocation is held in relation to the Guardian pension scheme. Therefore, the fair value of the pension plan assets can not be determined based on a certain investment allocation. The fair value of the plan assets is based on the accrued pension benefits and actuarial rates.

The indexation of the pension entitlements of inactive participants is equal to the indexation applied by the Stichting Pensioenfonds SNS REAAL. The pension entitlements of active participants are unconditionally indexed based on the salary index. Active participants are here defined as employees of SRLEV that actively accrue pension benefits in the Stichting Pensioenfonds SNS REAAL.

In the event that the coverage ratio of the Winterthur scheme falls below the agreed limit of 105%, an additional contribution will be made by the employer.

After offsetting the fair value of the investments, € 68 million has been included in the provision for pensions for the former AXA and Winterthur pension schemes (2019: € 64 million). In 2021, SRLEV's contribution to these defined benefit schemes is expected to amount to € 0.2 million (2020: € 0.5 million).

Pension Scheme Zwitserleven (Defined Benefit Scheme)
As of 1 January 2010, the accrual of new pension entitlements of the employees of former Zwitserleven NV was transferred to Stichting Pensioenfonds SNS REAAL. The rights of inactive participants built up in the past and active former participants remain part of the former pension scheme of Zwitserleven.

Until 2025 the conditional indexation of the pension rights of inactive participants is determined using the return on investment and potential technical results. If the return is insufficient, the indexation may be lower than the indexation of Stichting Pensioenfonds SNS REAAL. From 2025 onwards, the indexation will in principle be equal to the indexation of Stichting Pensioenfonds SNS REAAL. The pension rights of active former participants are unconditionally indexed based on the salary index.

The pension scheme of Zwitserleven is self-administered. For this pension scheme, the present value of the pension obligations of € 117 million (2019: € 104 million) has been included in the provision for employee benefits. There is no separate investment account. SRLEV's contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 0.6 million in 2021 (2020: € 0.9 million).

Other Pension Schemes
The accrual of new pension rights of former employees of Zürich, NHL, Helvetia and DBV has been transferred to Stichting Pensioenfonds SNS REAAL. The pension rights of former employees of Zürich and DBV built up in the past are insured internally by SRLEV, without the investments being separated; instead they are recognised within investments in the statement of financial position and included in the balance sheet item Investments.

The pension rights of former employees of NHL and Helvetia built up in the past are insured externally. No direct investment allocation is held in relation to these pension schemes. Therefore, the fair value of the pension plan assets can not be determined based on a certain investment allocation. The fair value of the plan assets of NHL is based on the accrued pension benefits and actuarial rates and the value of the indexation depot. As the value of the assets in the investment account is lower than the discounted value of the funded insured benefits under the insurance contract, the fair value of plan assets is set to the discounted value of the funded insured benefits, increased with the indexation depot and the current account. Regarding the NHL pension scheme the asset ceiling is applied. The fair value of the plan assets of Helvetia is based on the accrued pension benefits and actuarial rates. In all of these pension schemes no more pension rights, other than indexation, are accrued. As per 2019 the guarantee costs for the NHL pension plan are included in the fair value of the plan assets.

After offsetting the fair value of the investments, € 34 million (2019: € 30 million) has been included in the provision for pensions for these other pension schemes. In 2021, SRLEV's contribution to the other defined benefit schemes is expected to amount to € 0.2 million (2020: € 0.3 million).

Overview Pension Commitments

BREAKDOWN OF PENSION COMMITMENTS		
In € millions	2020	2019
Present value of defined benefit obligations	245	222
Less: Fair value of plan assets	-26	-24
Present value of the net liabilities	**219**	**198**

STATEMENT OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS		
In € millions	2020	2019
Present value as at 1 January	**222**	**195**
Increase and interest accrual through profit and loss	2	3
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	28	26
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	-5	-2
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	4	-1
Benefits paid	-6	-6
Other movements through Other Comprehensive Income	-	7
Present value as at 31 December	**245**	**222**

Other movements through Other Comprehensive Income in 2019 relates to understated defined benefit obligation by € 7 million at the end of 2018.

STATEMENT OF CHANGES IN FAIR VALUE OF THE PLAN ASSETS		
In € millions	2020	2019
Fair value as at 1 January	**24**	**24**
Return on plan assets	3	2
Guarantee cost adjustment through Other Comprehensive Income	-	-1
Investment income	**3**	**1**
Premiums	5	5
Benefits paid	-6	-6
Fair value as at 31 December	**26**	**24**

Based on general practice in the market, SRLEV decided to include an additional provision for guarantees expenses in the pension obligation of € 1 million as per 31 December 2019. The provision was charged to Other Comprehensive Income.

The expected return on investments through profit or loss has been netted with the actuarial rate of interest (in accordance with IAS 19 Revised). The difference between the actual interest result and the actuarial rate of interest is recognised in Other Comprehensive Income.

BREAKDOWN OF FAIR VALUE OF THE PLAN ASSETS		
In € millions	**2020**	**2019**
Cash and cash equivalents	5	4
Insurance contract	21	20
Balance as at 31 December	**26**	**24**

The plan assets Insurance contracts consist of the paid-up value based on the actuarial principles.

RECONCILIATION OF THE EFFECT OF THE ASSET CEILING		
In € millions	**2020**	**2019**
Balance as at 1 January	**-**	**1**
Remeasurements on the effect of asset ceiling through Other Comprehensive Income	-	-1
Balance as at 31 December	**-**	**-**

STATEMENT OF CHANGES IN OTHER COMPREHENSIVE INCOME		
In € millions	**2020**	**2019**
Balance as at 1 January	**11**	**33**
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-25	-24
Investment income for the benefit or at the expense of Other Comprehensive Income	3	-2
Deferred taxes	5	5
Other	-	-1
Balance as at 31 December	**-6**	**11**

THE MAIN ACTUARIAL PARAMETERS AT YEAR-END		
In percentages	**2020**	**2019**
Discount rate	0.72%	0.85%
Expected salary increase	1.50%	1.86%
Increase accrued pension rights - Active	future wage inflation curve	1.86%
Increase accrued pension rights - Inactive	future price inflation curve	50% of price inflation

In 2020, the discount rate has been updated based on current market conditions. The expected rate of return on assets is equal to the discount rate.

The assumptions for pension increases during and after active period have been updated to better reflect expected future experience of the schemes. It has been assumed that accrued benefits of active participants will be increased annually based on a future wage inflation curve which is based on the development of the wage inflation as used for the annually increase of the benefits of current employees.

The current and future pension payments will be increased annually based on a future price inflation curve which reflects future price inflation that is taking into account the most recent recovery plan of Stichting Pensioenfonds SNS REAAL with a two year delay.

SENSITIVITY PRESENT VALUE OF PENSION OBLIGATIONS 2020		
	31 December 2020	
In € millions	Change	Change
Discount rate 0.35% (-0.5%)	25	10%
Discount rate 1.35% (+0.5%)	-22	-9%

SENSITIVITY PRESENT VALUE OF PENSION OBLIGATIONS 2019		
	31 December 2019	
In € millions	Change	Change
Discount rate 1.30% (-0.5%)	22	10%
Discount rate 2.30% (+0.5%)	-19	-9%

16 Other Provisions

Other provisions are predominantly of a long-term nature; they have been formed mainly for the settlement of legal and other claims.

STATEMENT OF CHANGES IN OTHER PROVISIONS		
	Other provision	
In € millions	2020	2019
Balance as at 1 January	**15**	**21**
Reclassifications	**4**	**-**
Additions / release	**1**	-
Withdrawal	-4	-1
Released to results	1	-5
Balance as at 31 December	**17**	**15**

17 Amounts due to Banks

BREAKDOWN OF AMOUNTS DUE TO BANKS		
In € millions	2020	2019
Due on demand	4,394	2,461
Private loans	257	254
Total	**4,651**	**2,715**

The amount of € 4,393 million (2019: € 2,461 million) due on demand relates to cash collateral. The market value of the derivatives portfolio increased mainly by net received collateral (€1,909 million) including carve out relates to increase net derivative fair value which mainly increased by decreasing long-term interest rates. The private loans relates to the saving components of mortgages.

18 Other Liabilities

BREAKDOWN OF OTHER LIABILITIES		
In € millions	**2020**	**2019**
Debts to group companies	51	15
Debts in relation to direct insurance	267	271
Debts to reinsurers	48	66
Investment transactions to be settled	14	12
Other taxes	21	18
Other liabilities	244	238
Benefits to be paid	258	325
Accrued interest	17	17
Total	**920**	**962**

The other liabilities are expected to be settled within twelve months after reporting date.

19 Guarantees and Commitments

Contingent Liabilities

Liabilities

At year-end 2020, SRLEV NV had assumed commitments to invest € 370 million in investment funds (2019: €467 million). These funds may in due course call these commitments (capital calls). Ahead of these capital calls, securities have been identified that can be sold as soon as there is a capital call. This exposure had no immediate effect on the capital as of 31 December 2020. In 2020, SRLEV NV entered into a commitment to invest in Apollo Strategic Origination Partners (ASOP) funds. The undrawn investment commitment at year-end 2020 is € 241 million.

An Asset Management Agreement (AMA) is signed between Curlew Netherlands BV and RE Young Urban Housing BV (subsidiary of SRLEV NV). At year-end 2020, SRLEV NV has a residual commitment of € 100 million (2019: € 136 million) to a 10 year separate account mandate for RE Young Urban Housing BV in the Netherlands, managed by Curlew Netherlands BV.

In 2019, SRLEV NV entered a loan commitment of € 32 million with its newly acquired subsidiary Bellecom NV for the renovation of property. At year-end 2020, SRLEV has a residual loan commitment of € 19 million to Bellecom NV (2019: € 24 million). Bellecom NV has entered into a commitment to invest a maximum of € 39.4 million into the renovation of property.

Guarantee Schemes

SRLEV NV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, which – as stipulated in the contract with the third party – will be guaranteed by Athora Netherlands NV if the SII ratio of SRLEV NV should fall below 100%. SRLEV NV’s solvency ratio was higher than 100% at year-end 2020. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

As per 1 January 2019, the Recovery and Resolution insurance companies Act (Wet herstel en afwikkeling van verzekeraars) came into force. This also affects SRLEV NV. The Recovery and Resolution insurance companies Act will enable insurance companies and DNB to be better prepared for a crisis situation and gives DNB opportunities to intervene better in case of a bankruptcy of an insurance company. In those cases DNB is enforced to take care of the interests of policyholders.

In 2012, SRLEV NV revised separate account contracts before the end date of the contracts to make the deficits arising from issued guarantees more manageable. Agreement was reached with customers, in which process customers funded the increased charges of longevity risk while SRLEV NV bore part of the interest deficit. At year-end 2020, a liability of € 2 million exists relating to this separate accounts restructuring (2019: € 3 million). The customers' liability in respect of this restructuring was € 3 million at year-end 2020 (2019: € 4 million). SRLEV NV has received a guarantee from one of its clients of € 28.9 million to strengthen the clients position concerning determination of the investment portfolio.

Guarantees Received and Given

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) by SRLEV amounted to € 883 million at year-end 2020 (2019: € 726 million).

The market value of the collateral of the mortgages of SRLEV was € 8,783 million at year-end 2020 (2019: € 5,640 million). The amortised cost of the mortgages was € 3,974 million at year-end 2020 (2019: € 2,619 million).

For saving mortgage arrangements were made between SRLEV and several credit institutions. The credit risk concerning saving premiums is covered by received cession warranties amounting to € 3,713 million (2019: € 4,080 million), deeds of assignment amounting to € 273 million (2019: € 268 million) or clearance amounting to € 213 million (2019: € 247 million). At year-end 2020 an amount of € 40 million was unsecured (2019: € 96 million).

Under the so-called 'Fortuinplan' arrangement mortgage receivables have been pledged to policyholders for the equivalent value of insurance contract liabilities. The value of these insurance contract liabilities at year-end 2020 was € 49 million (2019: € 53 million).

Netherlands Reinsurance Company for Losses from Terrorism

In 2021, SRLEV will take a 15.34 % share in the Life cluster (2020: 17.22%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2021, the guarantee will be € 10 million (one third of total guarantee of € 31 million) for the Life cluster (2020: € 11 million (one third of total guarantee of € 34 million)) and total premiums will amount to € 0.7 million (2020: € 0.7 million).

Legal Proceedings

General

In SRLEV's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance occur. At present, these instances include Sanction and Anti money laundering regulation compliancy which are shared with the regulators including a timely action plan to address and resolve current and future instances. Also, SRLEV is currently further revising its governance framework to adhere to the large company regime and other regulatory requirements.

SRLEV is involved in litigation and other binding proceedings involving, but not limited to, disputes concerning the products and services of SRLEV and its position as principal, employer and taxpayer. Although it is impossible to predict the outcome of current or threatened legal proceedings, management believes on the basis of currently available information and after taking legal advice in general, the outcome of these proceedings is unlikely to have any material adverse effects on SRLEV's financial position or operating results.

Investment Insurance Policies

SRLEV has a portfolio of investment insurance policies (including and also referred to as: unit-linked policies) which consists of a variety of products with distinct characteristics and different versions of contractual documentation. SRLEV and its predecessors have concluded approximately 1.2 million investment-linked insurance policies, of which about 177,500 were still outstanding at 31 December 2020.

Since 2006, there has been widespread public attention for costs and risks related to investment insurance policies and the question whether insurance companies provided adequate information to their current and prospective unit-linked policyholders. In response to this, insurers, SRLEV being one of them, agreed on compensation schemes with consumer organisations. In 2009, Athora Netherlands reached an outline agreement followed by an Agreement ('Vaststellingsovereenkomst') in 2010 to offer compensation to policyholders whose individual unit-linked policies had a cost charge in excess of an agreed maximum. In 2014, Athora Netherlands has concluded its implementation of the compensation scheme. The costs of the compensation scheme and complementary policy are substantial and have been recognised in the financial statements.

Later on, much of the attention of the public, politicians and regulators has shifted from the costs of investment-linked insurances to the efforts undertaken by the insurers to mobilise customers with an active investment-linked insurance to review their position (Flankerend Beleid: 'complementary policy'). SRLEV uses various tools to communicate with customers and encourages them to check whether their policies still meet the purposes for which they were originally entered into and to consider revising their products or switch to other forms of products for capital accumulation.

As from 2013 clients have been approached and activated to review their position and take adequate measures. The nature of the encouragement depended on the characteristics of the policies. First focus was on the so called 'non-accumulating policies' (Dutch: niet opbouwende polissen, "NOPs"). In 2016 customers with a pension- or mortgage related policy have been approached. In 2017, the remaining group of customers (Activation Category "Other") have been encouraged to review their position.

The number of proceedings against SRLEV that involve unit linked policies is, compared to the portfolio of active policies, relatively limited. On 31 December 2020, less than twenty proceedings were pending against SRLEV before the civil courts or before the Klachteninstituut Financiële Dienstverlening ('KiFiD'). These cases include one class action brought by VerenigingWoekerpolis.nl regarding the products Swiss Life Spaarbeleg and AXA Verzekerd Hypotheekfonds.

In this class action, the Vereniging Woekerpolis.nl asked for over 80 declaratory judgements from the court that SRLEV acted wrongfully. If such declarations are given, individual class members may use those declarations to file their own claims for damages. By judgement of 20 December 2017, the District Court Noord Holland denied almost all of the requested declaratory decisions, except for two. The District Court declared that SRLEV failed to adequately inform a part of the class about the effect of increasing life premiums as the accrued capital diminishes ('hefboom en inteereffect'). Also, the District Court nullified a contractual term allowing SRLEV to increase certain administrative costs in one of its products; according to the District Court any cost increase based on those terms should be refunded.

It should be noted the costs itself are not affected by this decision. The judgement itself does not have substantial influence on the assessment of the investment insurances risk profile. So far, none of the class members have commenced litigation for financial compensation based on the declaratory verdict in the class action.

Both Woekerpolis.nl and SRLEV filed appeal against the judgement of the District High Court. The appeals process is still in an early stage. It is unlikely that a final verdict by the District Court will be rendered in the year 2021. However it is possible that one or more (interlocutory) verdicts will be rendered.

To date, the number of cases in which SRLEV NV has been required to pay damages following a decision by KiFiD or a civil court has been limited.

Relevant proceedings against peers as well as the Vereniging Woekerpolis.nl proceeding against SRLEV are, in general, still at an early stage. There are no relevant judgements of the Supreme Court so far. Given the wide variety of legal grounds, product characteristics, different applying regulations over time etc. the case law so far is to a large extent highly casuistic.

Individual claims have operational impact. However, there are no material adverse changes in the overall risk profile, regarding the portfolio of investment insurance policies compared to previous year. The political, regulatory and public focus on investment-linked insurances remains. Elements of investment-linked insurances are being challenged or may be challenged on multiple legal grounds in current and possible future legal proceedings against SRLEV and peers. There is a risk that one or more of those legal challenges will succeed and may affect SRLEV. The financial consequences of any of the aforementioned factors or a combination thereof and current and any future subsequent legal proceedings may affect SRLEV, both financially and reputationally. However, it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The probability and financial impact of additional compensation and/or successful claims still cannot be determined in a meaningful way.

20 Related Parties

Identity of Related Parties

Parties qualify as a related party if one of the parties has the power to exercise control or significant influence on the other in terms of deciding on financial or operational issues.

Until 1 April 2020, SRLEV's related parties were its ultime parent Anbang and Anbangs affiliates and its parent VIVAT, VIVAT's key management personnel and their close family members. On 1 April 2020, Athora acquired 100% of the shares of VIVAT (now: Athora Netherlands) from Anbang. From that date, Athora and its affiliates became part of Athora Netherlands' and SRLEV's related parties. Anbang and its affiliates and VIVAT Schade were no longer related parties. Unless stated otherwise, transactions with related parties are conducted at arm’s length.

Intra-group Balances and Transactions between SRLEV, Athora Netherlands, Athora and Affiliates

INTRA-GROUP BALANCES AND TRANSACTIONS						
	Athora Netherlands		Affiliates		Total	
In € millions	2020	2019	2020	2019	2020	2019
Positions						
Assets						
Corporate income tax	-	3	-	-	**-**	**3**
Other assets (receivables from group companies)	1	-	13	15	**14**	**15**
Equity and liabilities						
Equity (holders of other equity instruments)	350	250	-	-	**350**	**250**
Insurance liabilities (reimbursement right)	353	324	-	24	**353**	**348**
Subordinated private loans	415	415	-	-	**415**	**415**
Corporate income tax payable	1	-		-	**1**	**-**
Other liabilities (liabilities to group companies)	52	6	0	2	**52**	**8**
Transactions						
Obtain Capital Subordinated Loan (holders of other equity instruments)	100	-	-	-	**100**	**-**
Capital injection	200	-			**200**	**-**
Income						
Fee and commission income	-	-	21	15	**21**	**15**
Investment income	4	-	-11	-	**-7**	**-**
Expenses						
Interest expense	21	21	-	-	**21**	**21**
Service fees expenses	-	-	13	19	**13**	**19**
Staff costs	135	93	-	-	**135**	**93**
Other operating expenses	35	33	-	-	**35**	**33**

- In 2020 and 2019, SRLEV had no intra-group positions and transactions with its ultimate parents, Anbang respectively Athora.
- New acquisitions made in 2020 in Athora Lux Invest and Apollo Strategic Origination Partners (refer to 6.2 Acquisitions and Disposals).

Intra-group Balances and Transactions with Key Management Personnel of SRLEV

The key management personnel consists exclusively of the members of the Executive Board and the Supervisory Board. This applies to SRLEV and also to Athora Netherlands NV and Proteq Levensverzekeringen NV. SRLEV NV is a full subsidiary of Athora Netherlands NV. The members of the Executive Board and the members of the Supervisory Board of Athora Netherlands NV are also the members of the Executive Board and the members of the Supervisory Board of SRLEV NV. The remuneration information is presented on Athora Netherlands level.

The transfer of shares of Athora Netherlands from Anbang to Athora at 1 April 2020 led to a change in the composition of the Executive Board. In 2020 five members have resigned and four new members have been appointed to the Executive Board.

The Executive Board comprised five members as at 31 December 2020 (31 December 2019: 6). The Supervisory Board comprised five members as at 31 December 2020 (31 December 2019: 5).

Actual Remuneration (former) Members of the Executive Board

The following table provides a breakdown of the total remuneration of the Executive Board, including former and existing key management.

BREAKDOWN OF REMUNERATION (FORMER) MEMBERS OF THE EXECUTIVE BOARD		
In € thousands	**2020**	**2019**
Short-term employee benefits	3,766	4,677
Post-employment benefits	108	124
Other long-term benefits	74	308
Termination benefits	4,531	-
Total	**8,479**	**5,109**

The other long-term benefits and a part of the short-term employee benefits relate to a retention scheme as recognised in the statement of profit or loss; the vesting of this scheme is subject to certain conditions and any payment will be made in instalments based on current remuneration regulations.

The termination benifits consist of contractual agreed severance payments to former members of the Executive Board and their salary until the end of their notice period without the obligation to perform work. This is in line with the applicable remuneration policy Executive Board and applicable legislation.

Reference is made to Section 6.1.5 for the accounting principles of employee benefits.

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2020 (and 2019) and/or granted to members of the Excecutive Board during 2020.

Actual Remuneration (former) Members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members (excluding 21% VAT).

BREAKDOWN OF REMUNERATION (FORMER) MEMBERS OF THE SUPERVISORY BOARD		
In € thousands	**2020**	**2019**
Total fixed actual remuneration of Supervisory Board members	555	610
Total remuneration for the members of the Supervisory Board's Committees	21	25
Total	**576**	**635**

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2020 (and 2019) and/or granted to members of the Supervisory Board during 2020.

Other intra-group balances and transactions

Athora Group maintains a number of active share plans and schemes, which includes a Management Equity Plan, a Long-Term Incentive Plan and a Employee Co-invest Plan.

Some members within the Executive and Supervisory Board were already part of management within Athora Group and continue participating in one or more of these plans. These plans and its requirements did not have an impact on SRLEV financial statements.

21 Interests in Non-consolidated Structured Entities

SRLEV invests in non-consolidated structured entities, such as investment funds, in the form of investments, credit guarantees or liquidity obligations.

The table below breaks down the carrying amount of the assets and liabilities relating to SRLEV with its involvement classified by type of transaction and the maximum exposure to losses of the non-consolidated structured entities and the relative size of those entities.

NON-CONSOLIDATED STRUCTURED ENTITIES 2020					
In € millions	Carrying amount assets	Carrying amount liabilities	Maximum exposure to loss	Total assets of entities	Total liabilities of entities
Investment Funds	-	-	150	59	59
Total	**-**	**-**	**150**	**59**	**59**

NON-CONSOLIDATED STRUCTURED ENTITIES 2019					
In € millions	Carrying amount assets	Carrying amount liabilities	Maximum exposure to loss	Total assets of entities	Total liabilities of entities
Investment Funds	-	-	**150**	44	44
Total	**-**	**-**	**150**	**44**	**44**

The maximum exposure to losses with respect to commitments and guarantees is the notional amount. The notional amount does not represent the expected losses or reflect unrealised losses (if applicable). These commitments and guarantees are conditional and present the maximum losses that SRLEV could suffer on its involvement in non-consolidated structured entities, without considering the impact of any mitigating action or compensating influence of other financial instruments. Reference is made to Note 19 for more information about guarantees and commitments.

22 Events after the Reporting Date

SRLEV Tier 2 refinancing

On 11 March 2021, SRLEV announces the redemption of the outstanding € 250 million of originally issued € 400 million subordinated bonds due 2041 on 15 April 2021. The bonds will be redeemed in full at their principal amount outstanding together with accrued and unpaid interest and any arrears of interest on 15 April 2021.

23 Net Premium Income

Premium income consists of insurance premiums net of reinsurance premiums.

BREAKDOWN OF NET PREMIUM INCOME						
	General account		For account of policyholders		Total	
In € millions	2020	2019	2020	2019	2020	2019
Regular premiums Individual Life	441	486	149	172	**590**	**658**
Regular premiums Life Corporate	181	196	458	463	**639**	**659**
Total gross regular premiums Life	**622**	**682**	**607**	**635**	**1,229**	**1,317**
Single premiums Individual Life	71	94	8	9	**79**	**103**
Single premiums Life Corporate	397	343	57	85	**454**	**428**
Total gross single premiums	**468**	**437**	**65**	**94**	**533**	**531**
Total gross premium income	**1,090**	**1,119**	**672**	**729**	**1,762**	**1,848**
Total reinsurance premiums Life	248	195	-	-	**248**	**195**
Total net premium income Life	**842**	**924**	**672**	**729**	**1,514**	**1,653**

Compared to 2019 gross premium income Life is € 86 million lower, mainly due to the lower periodic premiums within Individual Life € 68 million (resulting from shrinking portfolio). This is partly offset by higher single premiums in Life Corporate.

Reinsurance premium Life increased with € 53 million in 2020 compared to 2019 as a result of the increase Quote share percentage Longevity from 70% to 90% at year end 2019.

BREAKDOWN OF REGULAR PREMIUMS LIFE						
	General account		For account of policyholders		Total	
In € millions	2020	2019	2020	2019	2020	2019
Individual						
Without profit-sharing	399	440	149	172	**548**	**612**
With profit-sharing	55	61	-	-	**55**	**61**
Total individual	**454**	**501**	**149**	**172**	**603**	**673**
Group						
Without profit-sharing	128	114	458	463	**586**	**577**
With profit-sharing	40	67	-	-	**40**	**67**
Total group	**168**	**181**	**458**	**463**	**626**	**644**
Total gross regular premiums Life	**622**	**682**	**607**	**635**	**1,229**	**1,317**

BREAKDOWN OF SINGLE PREMIUMS LIFE						
	General account		For account of policyholders		Total	
In € millions	2020	2019	2020	2019	2020	2019
Individual						
Without profit-sharing	420	368	8	9	**428**	**377**
Total individual	**420**	**368**	**8**	**9**	**428**	**377**
Group						
Without profit-sharing	33	68	57	85	**90**	**153**
With profit-sharing	15	1	-	-	**15**	**1**
Total group	**48**	**69**	**57**	**85**	**105**	**154**
Total gross single premiums Life	**468**	**437**	**65**	**94**	**533**	**531**

24 Net Fee and Commission Income

BREAKDOWN OF NET FEE AND COMMISSION INCOME		
In € millions	2020	2019
Fee and commission income:		
- Management fees	33	27
- Other activities	15	16
Total fee and commission income:	**48**	**43**
Fee and commission expense	17	17
Total	**31**	**26**

25 Investment Income

BREAKDOWN OF INVESTMENT INCOME		
In € millions	2020	2019
Fair value through profit or loss: Designated	201	265
Available for sale	587	546
Loans and receivables	268	374
Investment property	40	55
Total	**1,096**	**1,240**

BREAKDOWN OF INVESTMENT INCOME 2020					
In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Investment property	Total
Interest	201	362	328	-	**891**
Dividend	-	24	-	-	**24**
Rental income	-	-	-	29	**29**
Direct operating expenses	-	-	-	-8	**-8**
Total interest dividend and rental income	**201**	**386**	**328**	**21**	**936**
Realised revaluations	-4	389	-2	-	383
Unrealised revaluations	4	-188	-58	19	-223
Total revaluations	**-**	**201**	**-60**	**19**	**160**
Total	**201**	**587**	**268**	**40**	**1,096**

The investment income in 2020 is lower compared to previous year. The decreases in the fair value through profit or loss and the loans and receivables portfolio are partly offset by the positive realised revaluations of the available for sale bond portfolio.

The decrease in the fair value through profit or loss portfolio is mainly caused by lower interest results on swaps. The decline in the investment income of loans and receivables is mainly the consequence of higher redemptions.

BREAKDOWN OF INVESTMENT INCOME 2019					
In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Investment property	Total
Interest	243	424	367	-	**1,034**
Dividend	-	39	-	-	**39**
Rental income	-	-	-	30	**30**
Direct operating expenses	-	-	-	-6	**-6**
Total interest dividend and rental income	**243**	**463**	**367**	**24**	**1,097**
Realised revaluations	12	59	-1	-	70
Unrealised revaluations	10	24	8	31	73
Total revaluations	**22**	**83**	**7**	**31**	**143**
Total	**265**	**546**	**374**	**55**	**1,240**

Investment income includes a net gain on currency differences. This amount is hedged within the result on derivatives.

26 Investment Income / expense for Account of Policyholders

BREAKDOWN OF INVESTMENT INCOME / EXPENSE FOR ACCOUNT OF POLICYHOLDERS		
In € millions	2020	2019
Interest	23	28
Dividend	99	124
Total interest and dividend	**122**	**152**
Revaluations	570	1,915
Total	**692**	**2,067**

The increase of investments for account of policyholders was mainly driven by positive fair value changes due to combination of decreasing market interest rates and increasing stock markets.

27 Result on (Liabilities from) Investments for Account of Third Parties

The amount of € 115 million (2019: €86 million) consists of results of the third party investments. We refer to Note 6 Investments for Account of Third Parties for information about the third party investments.

28 Result on Derivatives

BREAKDOWN OF RESULT ON DERIVATIVES		
In € millions	2020	2019
Result on derivatives held for cash flow hedge accounting	**7**	-
Market value movements of derivatives held for fair value hedge accounting	-	-1
Market value movements of derivatives maintained for ALM not classified for hedge accounting	1,768	1,655
Total	**1,775**	**1,654**

The positive result on derivatives of € 1,775 million largely corresponds to the market value movements of the derivatives. The market value movement was positively influenced by changes in interest rates (€ 1,591) and by currency differences (€ 281 million).

29 Technical Claims and Benefits

Technical claims and benefits include benefits paid, surrenders, claims paid, claim handling costs and changes in insurance liabilities. This item also includes profit-sharing and discounts.

BREAKDOWN OF TECHNICAL CLAIMS AND BENEFITS						
	Gross		Reinsurance		Total	
In € millions	2020	2019	2020	2019	2020	2019
General account benefits and surrenders	2,186	2,261	-259	-221	**1,927**	**2,040**
Change in general account insurance liabilities	-518	-284	19	31	**-499**	**-253**
Profit-sharing and discounts	-32	22	-	-	**-32**	**22**
Results on allocated investments and interest derivatives	1,820	1,697	-	-	**1,820**	**1,697**
LAT deficit	426	-9	-	-	**426**	**-9**
Life insurance	**3,882**	**3,687**	**-240**	**-190**	**3,642**	**3,497**

Compared to 2019 expenses are € 145 million higher. Lower transfer of separate accounts (€ 254 million) are offset by a large increase of LAT value in 2020 as result of decreased market interest rates.

The increase in reinsurance benefits paid compared to 2019 is mainly due to the increased quota share percentage for the longevity reinsurance contract at yearend 2019.

For further details, see Note 14 Insurance liabilities and reinsurance share.

30 Charges for Account of Policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit-sharing and discounts relating to these policyholders.

BREAKDOWN OF CHARGES FOR ACCOUNT OF POLICYHOLDERS		
In € millions	**2020**	**2019**
Benefits paid and surrenders for Life insurance contracts for account of policyholders	1,048	961
Change in technical provisions for Life insurance contracts for account of policyholders	258	1,531
Total	**1,306**	**2,492**

Change in technical provision is mainly attributable to an increase in the market value revaluations.

31 Acquisition Costs for Insurance Activities

BREAKDOWN OF ACQUISITION COSTS FOR INSURANCE ACTIVITIES		
In € millions	**2020**	**2019**
Individual Life	14	15
Life Corporate	1	2
Total	**15**	**17**

32 Staff Costs

BREAKDOWN OF STAFF COSTS		
In € millions	**2020**	**2019**
Salaries	69	79
Pension costs	16	15
Social security contributions	9	15
Other staff costs	83	32
Total	**177**	**140**

The staff costs increased compared to 2019. The other staff costs relate to staff costs recharged by Athora Netherlands NV.

In 2020, there was no collective salary adjustment. Salaries of the members of the Executive Board were not increased.

BREAKDOWN OF PENSION COSTS		
In € millions	2020	2019
Pension contributions based on defined contribution	15	13
Employee contributions	-1	-1
Total based on defined contributions	**14**	**12**
Increase of present value defined benefit plans	2	3
Total	**16**	**15**

Other Staff Costs

The increase of the other staff costs can be ascribed to the increase regards the restructuring provision of € 48 million (2019: nil) and staff costs recharged by Athora Netherlands NV of € 29 million (2019: € 25 million).

NUMBER OF INTERNAL FTE'S		
In numbers	2020	2019
Number of internal FTEs	1,019	1,048

33 Other Operating Expenses

BREAKDOWN OF OTHER OPERATING EXPENSES		
In € millions	2020	2019
IT systems	11	12
Housing	-	1
Marketing and public relations	2	4
External advisors	10	3
Other costs	16	17
Total	**39**	**37**

The other costs mainly relate to outsourced services and contributions.

34 Impairment Losses (Reversals)

BREAKDOWN OF IMPAIRMENT LOSSES / REVERSALS BY CLASS OF ASSET						
	Impairments		Reversals		Total	
In € millions	2020	2019	2020	2019	2020	2019
Through profit or loss						
Property and equipment	6	-	-	4	**6**	**-4**
Investments	5	1	-	4	**5**	**-3**
Other debts	1	1	1	1	**-**	**-**
Total through profit or loss	**12**	**2**	**1**	**9**	**11**	**-7**

In 2020 the impairments were related to buildings for own use in Amstelveen and equity investments.

35 Other Interest Expenses

BREAKDOWN OF OTHER INTEREST EXPENSES		
In € millions	**2020**	**2019**
Bonds	19	18
Private loans	30	46
Interest on reinsurance deposits	1	3
Other interest and investment expenses	2	2
Total	**52**	**69**

The decrease of interest on private loans is mainly caused by the redemption of the saving part loan (WHH) in November 2019, refer to note 17 Amounts due to banks.

36 Income Tax

BREAKDOWN OF TAX EXPENSE / BENEFIT		
In € millions	**2020**	**2019**
In financial year	33	68
Other items	-10	-
Corporate income tax due	**23**	**68**
Due to temporary differences	-72	30
Due to change in income tax rate with regard to deferred tax	-58	-34
Deferred tax (including tax rate change)	**-130**	**-4**
Total tax expense / (benefit)	**-107**	**64**

The corporate income taxes are irrevocable for the years up to and including 2018.

RECONCILIATION BETWEEN THE STATUTORY AND EFFECTIVE TAX RATE		
In € millions	**2020**	**2019**
Statutory income tax rate	25.0%	25.0%
Result before tax	-135	394
Statutory corporate income tax amount	**-34**	**99**
Exemption participation	-	-1
Due to change in income tax rate with regard to deferred tax	-58	-34
Other items	-15	-
Total tax expense / (benefit)	**-107**	**64**
Effective tax rate	79.3%	16.2%

The effective tax rate of 79.3% differs compared to the nominal rate of 25%. This is mainly caused by the reversal of corporate income tax rate reduction with regard to deferred tax position as explained in note 8 Deferred Tax.

Other items consist of the corporate income tax return 2019 (€ -10 million) and the deductible interest Tier 1 loans (€ -5 million).

37 Income tax effects relating to Other Comprehensive Income

BREAKDOWN OF INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME						
	Before tax amount		Tax (expense) benefit		Net of tax amount	
In € millions	2020	2019	2020	2019	2020	2019
Changes in valuation of defined benefit pension plan	-22	-26	5	5	**-17**	**-21**
Unrealised revaluations from cash flow hedges	59	97	-33	-24	**26**	**73**
Amortisation from cash flow hedges	29	-5	-16	1	**13**	**-4**
Unrealised revaluations investments available for sale	-130	636	97	-165	**-33**	**471**
Impairments and reversals fair value reserve	-2	3	-	-1	**-2**	**2**
Realised gains and losses fair value reserve transferred to profit or loss	405	14	-260	-4	**145**	**10**
Results on allocated investments and interest derivatives	-347	-756	217	196	**-130**	**-560**
Total other comprehensive income	**-8**	**-37**	**10**	**8**	**2**	**-29**

The changes in valuation of defined benefit pension plan of € -22 million mainly consists of actuarial gains or losses due to changes in financial assumptions and due to experience adjustments.

The unrealised revaluations from cash flow hedges is € 59 million and consists mainly of fair value changes of cash flow hedge swaps during the year due to decreased interest rates.

The unrealised revaluations investments available for sale of € -130 million before tax consists mainly of unrealised revaluations of European and American sovereign and corporate bonds.

The realised gains and losses fair value reserve transferred to profit or loss of € 405 million mainly relates to realised gains on European sovereign bonds.

The movement of the results on allocated investments and interest derivatives is part of the total movement of results on allocated investments and interest derivatives as explained in note 14 Insurance Liabilities and Reinsurance Share. Before tax the amount is € -347 million consisting of the movement of Shadow accounting (€ -88 million before tax) and revaluation reserve of fixed income investment portfolio (€ -259 million before tax) and is mainly a result of interest rate movements.

38 Financial Instruments

Fair Value of Assets and Liabilities

The table below shows the fair value of SRLEV's assets and liabilities. It only shows the property, financial assets and financial liabilities and does not include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the value of the company as a whole.

FAIR VALUE OF ASSETS AND LIABILITIES

	Fair value	Carrying amount	Fair value	Carrying amount
In € millions	**2020**	**2020**	**2019**	**2019**
Property				
Land and buildings for own use	38	38	50	50
Investment property	521	521	458	458
Investments				
- Fair value through profit or loss: designated	174	174	186	186
- Available for sale	31,055	31,055	29,702	29,702
- Loans and receivables	6,341	5,973	6,632	6,330
- Mortgages	4,126	3,974	2,776	2,619
Investments for account of policyholders	13,788	13,788	13,520	13,520
Investments for account of third parties	1,338	1,338	448	448
Derivatives	5,352	5,352	3,017	3,017
Loans and advances due from banks	613	589	743	712
Other assets	246	246	228	228
Cash and cash equivalents	321	321	266	266
Total property and financial assets	**63,913**	**63,369**	**58,026**	**57,536**
Financial liabilities				
Subordinated debts	788	766	807	774
Derivatives	1,080	1,080	674	674
Amounts due to banks	4,651	4,651	2,715	2,715
Other liabilities	920	920	962	962
Total financial liabilities	**7,439**	**7,417**	**5,158**	**5,125**

The fair values represent the amount that would be received to sell a property and financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the reporting date. The fair value of property, financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Where possible and if available, the valuation techniques make use of observable inputs in relevant markets. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the section on fair value hierarchy below.

The carrying amount of property, financial assets and liabilities at amortised cost is shown excluding accrued interest. Accrued interest related to these instruments is recognised within other assets or other liabilities.

Measurement of Assets and Liabilities

The following methods and assumptions are used to determine the fair value of property and financial instruments.

Land and Buildings for Own Use

The fair value of land and buildings for own use is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

Investment Property

The fair value of investment property is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

Investments

The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, exclusive of mortgage loans, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

Mortgages

The market value of mortgages is determined using a discounted value method. The yield curve used to discount cash flows of mortgage loans is the swap rate plus a risk premium that can vary between sub-portfolios. Expected future early redemptions, losses and the corresponding consumer rates are taken into account in determining the expected cash flows.

Derivatives

The fair value of nearly all derivatives is based on observable market inputs, such as market interest rates and foreign exchange rates. The fair value of a number of non-publicly traded derivatives depends on the type of instrument and is based on a discounted value model or an option valuation model.

Loans and Advances due from Banks

The fair value of loans and advances due from banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by SRLEV, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

Other Assets

Given the predominantly short-term nature of other assets, the carrying amount is considered to be a reasonable approximation of the fair value.

Cash and Cash Equivalents

The carrying amount of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Subordinated Debts

The fair value of subordinated debt is based on quoted prices in an active market when available. When actively quoted market prices are not available the fair value of subordinated debts has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market at years' end for holding subordinated debt issued by SRLEV, differentiated by maturity and type of instrument.

Amounts Due to Banks

The fair value of amounts due to banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by SRLEV, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

Other Liabilities

The carrying amount of the other liabilities is considered to be a reasonable approximation of the fair value.

Hierarchy in Determining The Fair Value of Property and Financial Instruments

A significant part of the properties and financial instruments are recognised at fair value. The fair value of property and financial instruments measured at fair value in the statement of financial position or for which the fair value is disclosed is classified as a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

Level 1 – Fair Value Based on Quoted Prices in an Active Market

Quoted prices from exchanges, brokers or pricing institutions are observable for properties and all financial instruments in this valuation category. In addition, these financial instruments are traded on an active market, which allows the price to accurately reflect current and regular market transactions between independent parties. The investments in this category mainly concern listed equities and bonds, including investment funds on account of policyholders whose underlying investments are listed.

Level 2 – Fair Value Based on Observable Inputs

This category includes property and financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market inputs. These instruments are mostly privately negotiated derivatives and private loans. This category also includes investments whose prices have been supplied by brokers but for which there are inactive markets. In these cases, available prices are largely supported and validated using market inputs, including market rates and actual risk premiums related to credit rating and sector classification.

Level 3 – Fair Value not Based on Observable Market Data

The property and financial instruments in this category have been assessed individually. The valuation is based on management's best estimate, taking into account most recently known prices. In many cases analyses prepared by external valuation agencies are used. These analyses are based on data unobservable in the market, such as assumed default rates associated with certain ratings.

The table below shows the instruments in level 1, level 2 and level 3. Property and financial assets and liabilities not measured at fair value and whose carrying amount is a reasonable approximation of fair value are not classified by level.

FAIR VALUE HIERARCHY 2020					
		Fair value			
In € millions	Carrying amount	Level 1	Level 2	Level 3	Total
Property and financial assets measured at fair value					
Land and buildings for own use	38	-	-	38	**38**
Investment property	521	-	-	521	**521**
Investments at fair value through profit or loss: designated	174	174	-	-	**174**
Investments available for sale	31,055	27,913	1,629	1,513	**31,055**
Investments for account of policyholders	13,788	13,460	40	288	**13,788**
Investments for account of third parties	1,338	1,338	-	-	**1,338**
Derivatives	5,352	-	5,345	7	**5,352**
Financial assets not measured at fair value					
Mortgages	3,974	-	-	4,126	**4,126**
Investments loans and receivables	5,973	-	1,024	5,317	**6,341**
Loans and advances due from banks	589	-	562	51	**613**
Other assets	246	-	-	-	**246**
Cash and cash equivalents	321	-	-	-	**321**
Financial liabilities measured at fair value					
Derivatives	1,080	-	978	102	**1,080**
Financial liabilities not measured at fair value					
Subordinated debts	766	356	-	432	**788**
Amounts due to banks	4,651	-	-	-	**4,651**
Other liabilities	920	-	-	-	**920**

FAIR VALUE HIERARCHY 2019					
		Fair value			
In € millions	Carrying amount	Level 1	Level 2	Level 3	Total
Property and financial assets measured at fair value					
Land and buildings for own use	50	-	-	50	**50**
Investment property	458	-	-	458	**458**
Investments at fair value through profit or loss: designated	186	186	-	-	**186**
Investments available for sale	29,702	27,743	588	1,371	**29,702**
Investments for account of policyholders	13,520	13,187	40	293	**13,520**
Investments for account of third parties	448	448	-	-	**448**
Derivatives	3,017	-	3,016	1	**3,017**
Financial assets not measured at fair value					
Mortgages	2,619	-	-	2,776	**2,776**
Investments loans and receivables	6,330	-	922	5,710	**6,632**
Loans and advances due from banks	712	-	690	53	**743**
Other assets	228	-	-	-	**228**
Cash and cash equivalents	266	-	-	-	**266**
Financial liabilities measured at fair value					
Derivatives	674	-	588	86	**674**
Financial liabilities not measured at fair value					
Subordinated debts	774	376	-	431	**807**
Amounts due to banks	2,715	-	-	-	**2,715**
Other liabilities	962	-	-	-	**962**

The table below shows the movements in property and financial instruments measured at fair value and classified in level 3.

STATEMENT OF CHANGES IN LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS IN 2020						
In € millions	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Available for sale	Total
Balance as at 1 January	**50**	**458**	**-85**	**293**	**1,371**	**2,087**
Transfer to level 3	-	-	-	-	-	**-**
Realised gains or losses recognised in profit or loss	-	-	16	-3	-19	**-6**
Unrealised gains or losses recognised in profit or loss	-8	19	-16	7	-	**2**
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	28	**28**
Purchase/acquisition	-	46	1	27	617	**691**
Sale/settlements	-	-7	-10	-47	-480	**-544**
Other	-4	5	-1	11	-4	**7**
Balance as at 31 December	**38**	**521**	**-95**	**288**	**1,513**	**2,265**
Total gains and losses included in profit or loss	-8	19	-	4	-19	**-4**

STATEMENT OF CHANGES IN LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS IN 2019						
In € millions	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Available for sale	Total
Balance as at 1 January	**51**	**400**	**-73**	**300**	**1,275**	**1,953**
Transfer to level 3	-	-	-	-	-	**-**
Realised gains or losses recognised in profit or loss	-	-	3	10	2	**15**
Unrealised gains or losses recognised in profit or loss	1	32	-18	-	-	**15**
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	-3	**-3**
Purchase/acquisition	-	25	-	20	517	**562**
Sale/settlements	-	-4	3	-48	-422	**-471**
Other	-2	5	-	11	2	**16**
Balance as at 31 December	**50**	**458**	**-85**	**293**	**1,371**	**2,087**
Total gains and losses included in profit or loss	1	32	-15	10	2	**30**

BREAKDOWN OF LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS		
In € millions	2020	2019
Land and buildings for own use	38	50
Investment property	521	458
Bonds issued by financial institutions	935	831
Collateralised loan obligation	4	4
Equities	574	536
Derivatives	-95	-85
Investments for account of policyholders	288	293
Total	**2,265**	**2,087**

The fair value of property and financial instruments classified in level 3 is partly based on inputs that are not observable in the market. A sensitivity analyses is performed on the major holdings in Level 3 investments. The fair value of interest-bearing securities is calculated as the discounted value of expected future cash flows. The calculation method of sensitivities in this chapter is similar to the method used in calculating the sensitivities in chapter 7 however limited to fair value level 3 classified securities.

The expected future cash flows as well as the discount rate is also a significant unobservable input. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment. The fair value sensitivity on these securities is calculated based on the changes in one of the elements used to determine the discount rate.

SENSITIVITY AS A RESULT OF CHANGES IN PARAMETERS		
In € millions	**2020**	**2019**
Fixed income securities		
Interest +50 bps	-18	-12
Interest -50 bps	19	13
Credit spreads Government Bonds +50 bps	-16	-10
Credit spreads Corporates/Mortgages +50 bps	-4	-7
All Credit spreads +50 bps	-20	-17

The sensitivity of the fair value of equity securities is calculated as the movement in fair value of the equity securities in the event of a general shock in the market. In this calculation, the look through principal is taken into account.

SENSITIVITY AS A RESULT OF A SHOCK APPLIED		
In € millions	**2020**	**2019**
Equity securities		
Equities +10%	18	10
Equities -10%	-18	-10

IMPAIRMENTS OF FINANCIAL INSTRUMENTS BY CATEGORY								
	Level 1		**Level 2**		**Level 3**		**Total**	
In € millions	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Equities	-	-	-	-	5	2	**5**	**2**
Total	**-**	**-**	**-**	**-**	**5**	**2**	**5**	**2**

Reclassification Between Levels 1, 2 and 3

In 2020 there were no movements in the financial assets and liabilities measured at fair value between the levels.

Offsetting Financial Assets and Liabilities

The table below shows the financial assets and liabilities that are subject to offsetting and the related amounts that are not set off but serve to mitigate credit risk.

FINANCIAL ASSETS AND LIABILITIES 2020							
				Related amounts not netted in the carrying amount			
In € millions	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial assets							
Derivatives	5,352	-	**5,352**	-	5,297	-	**55**
Total financial assets	**5,352**	**-**	**5,352**	**-**	**5,297**	**-**	**55**
Financial liabilities							
Derivatives	1,080	-	**1,080**	-	1,080	-	**-**
Total financial liabilities	**1,080**	**-**	**1,080**	**-**	**1,080**	**-**	**-**

At year-end 2020, Athora Netherlands received collateral from third parties by virtue of derivative exposures and decreasing long-term interest rates. Received cash collateral is mainly invested in short-term bonds and money-market funds.

FINANCIAL ASSETS AND LIABILITIES 2019							
				Related amounts not netted in the carrying amount			
In € millions	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial assets							
Derivatives	3,017	-	**3,017**	-	2,980	-	**37**
Total financial assets	**3,017**	**-**	**3,017**	**-**	**2,980**	**-**	**37**
Financial liabilities							
Derivatives	674	-	**674**	-	674	-	**-**
Total financial liabilities	**674**	**-**	**674**	**-**	**674**	**-**	**-**

Management of Past Due and Impaired Assets

The table below sets out the financial instruments by arrears and/or impairment.

FINANCIAL INSTRUMENTS - IMPAIRMENTS 2020					
In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	31,259	-	-30	-	**31,229**
Loans and receivables	9,947	-	-	-	**9,947**
Other financial assets	282	5	-	-3	**284**
Total	**41,488**	**5**	**-30**	**-3**	**41,460**

FINANCIAL INSTRUMENTS - IMPAIRMENTS 2019					
In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	29,897	-	20	-29	**29,888**
Loans and receivables	8,949	-	-	-	**8,949**
Other financial assets	273	8	-	-3	**278**
Total	**39,119**	**8**	**20**	**-32**	**39,115**

SRLEV recognises impairments on equities if the market value has fallen to 25% below cost price, or has been at least 5% below cost price uninterruptedly for at least nine months.

SRLEV recognises impairments on fixed-income financial instruments if there is a loss event related to the financial instrument. To identify such events, the financial instruments are periodically assessed on the basis of a number of criteria set by Finance. Financial instruments meeting one or more of these criteria are analysed and assessed individually to determine whether there is a loss event.

Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from the principal financial liabilities, other than derivatives, by contract maturity date.

LIQUIDITY CALENDAR FINANCIAL LIABILITIES 2020						
In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	4	762	**766**
Amounts due to banks	4,393	-	-	-	258	**4,651**
Amounts due to reinsurers	-	-	-	41	-	**41**
Total	**4,393**	**-**	**-**	**45**	**1,020**	**5,458**

LIQUIDITY CALENDAR FINANCIAL LIABILITIES 2019						
In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	12	762	**774**
Amounts due to banks	2,461	-	-	-	254	**2,715**
Amounts due to reinsurers	-	-	-	64	-	**64**
Total	**2,461**	**-**	**-**	**76**	**1,016**	**3,553**

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

LIQUIDITY CALENDAR DERIVATIVES 2020						
In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	23	52	175	825	**1,075**
Currency contracts	-	2	-	2	1	**5**
Total	**-**	**25**	**52**	**177**	**826**	**1,080**

LIQUIDITY CALENDAR DERIVATIVES 2019						
In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	4	93	569	**666**
Currency contracts	-	1	-	7	-	**8**
Total	**-**	**1**	**4**	**100**	**569**	**674**

The table regarding the cash flows from insurance business is included in chapter 7.6.2.1.

IFRS 9 Disclosures

As mentioned in the section 'Relevant New Standards' SRLEV qualifies for the temporary exemption and consequently is allowed to defer the implementation of IFRS 9. Due to the application of the temporary exemption, SRLEV is required to provide additional disclosures in order to enable comparability with financial statements published by entities applying IFRS 9. These disclosures concern the changes in fair value of financial instruments and credit risk exposure.

Changes in Fair Value

According to amended IFRS 4-requirements the disclosures concerning the fair value and the changes in fair value for all the interest bearing financial assets are disclosed divided on two groups:
- Financial assets that pass the SPPI-test excluding the financial assets held for trading or managed on a fair value basis;
- Other financial assets that fail the SPPI-test including financial assets held for trading and financial assets that are managed on a fair value basis.

Along with the Business Model Assessment, the Solely Payments of Principal and Interest (SPPI) test is one of the two criteria in IFRS 9 to determine whether an interest bearing financial asset should be classified as measured at amortised cost or fair value through other comprehensive income (FVOCI). It is tested whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

A financial asset that fails the SPPI-criterion is measured at fair value through profit or loss (FVTPL). Equity instruments and derivatives are excluded from the SPPI-test.

The disclosures are required for the following items:

Investments

STATEMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS SPPI AND NON-SPPI 2020								
	Fair value through profit or loss: Designated		Available for sale		Loans and receivables		Total	
In € millions	SPPI[1]	non-SPPI	SPPI[2]	non-SPPI	SPPI	non-SPPI	SPPI	non-SPPI
Balance as at 1 January	**-**	**187**	**26,994**	**512**	**9,408**	**-**	**36,402**	**699**
Purchases and advances	-	-	18,396	1,366	2,880	33	**21,276**	**1,399**
Disposals and redemptions	-	-18	-18,814	-231	-1,997	-19	**-20,811**	**-268**
Changes in fair value	-	5	463	46	61	-	**524**	**51**
Other movements	-	-	-184	-7	101	-	**-83**	**-7**
Balance as at 31 December	**-**	**174**	**26,855**	**1,686**	**10,453**	**14**	**37,308**	**1,874**

1 According to IFRS 4.39 the amounts presented in the columns labelled SPPI correspond to the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and whose performance is evaluated on a fair value basis. The amounts related to the assets excluded from the SPPI group are presented in the column labelled non-SPPI (even if these assets meet the SPPI condition).
2 Available for sale is excluding equity investments which do not pass SPPI test.

STATEMENT OF CHANGES IN FAIR VALUE OF INVESTMENTS SPPI AND NON-SPPI 2019								
	Fair value through profit or loss: Designated		Available for sale		Loans and receivables		Total	
In € millions	SPPI[1]	non-SPPI	SPPI[2]	non-SPPI	SPPI	non-SPPI	SPPI	non-SPPI
Balance as at 1 January	**-**	**186**	**23,542**	**417**	**8,610**	**-**	**32,152**	**603**
Purchases and advances	-	-	13,917	234	2,044	-	**15,961**	**234**
Disposals and redemptions	-	-9	-11,006	-153	-1,559	-	**-12,565**	**-162**
Changes in fair value	-	10	734	17	130	-	**864**	**27**
Other movements	-	-	-193	-3	183	-	**-10**	**-3**
Balance as at 31 December	**-**	**187**	**26,994**	**512**	**9,408**	**-**	**36,402**	**699**

1 According to IFRS 4.39 the amounts presented in the columns labelled SPPI correspond to the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and whose performance is evaluated on a fair value basis. The amounts related to the assets excluded from the SPPI group are presented in the column labelled non-SPPI (even if these assets meet the SPPI condition).
2 Available for sale is excluding equity investments which do not pass SPPI test.

Other movements includes accrued interest and received coupons.

Investments for Account of Policyholders

All the investments for account of policyholders are managed on a fair value basis, therefore they are not eligible for SPPI testing. For their fair value and the changes in fair value refer to section 6.3 Note 5 'Investments for Account of Policyholders' in the consolidated financial statements.

Investments for Account of Third Parties

All the investments for account of third parties are managed on a fair value basis, therefore they are not eligible for SPPI testing. For their fair value and the changes in fair value refer to section 6.3 Note 6 'Investments for Account of Third parties' in the consolidated financial statements.

Derivatives

By nature none of the derivatives meets the SPPI-test, therefore they are measured at fair value through profit or loss. For their fair value and the changes in fair value refer to section 6.3 Note 7 'Derivatives' in the consolidated financial statements.

Loans and Advances due from Banks

All the loans and advances due from banks meet the SPPI test. For their fair value and the changes in fair value refer to the table below.

STATEMENT OF CHANGES IN FAIR VALUE OF LOANS AND ADVANCES DUE FROM BANKS		
In € millions	2020	2019
Balance as at 1 January	**743**	**1,597**
Purchases and advances	1,625	4,891
Disposals and redemptions	-1,736	-5,748
Changes in fair value	-22	-2
Other movements	3	5
Balance as at 31 December	**613**	**743**

Other Assets

There are items recognised in Other assets, that qualify as financial instruments under IFRS 9. All financial assets recognised in Other assets meet the SPPI-test. As these assets constitute short-term receivables that are expected to be recovered within 12 months, their face value is deemed to be an approximation of their fair value. Bearing in mind their short term character, no statement of changes is being presented. For more details refer to section 6.3 Note 10 'Other assets' in the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These items meet SPPI-conditions. For the changes in value of these items refer to section 5.5 Consolidated Cash Flow Statement.

Credit Risk Disclosures

For the financial assets that pass the SPPI-test (excluding the financial assets held for trading or managed on a fair value basis) the disclosure of their carrying amounts under IAS 39 separated into credit risk rating grades need to be made. Additionally for the assets that do not have low credit risk, the fair value needs to be disclosed.

BREAKDOWN OF FAIR VALUE OF FINANCIAL ASSETS 2020 (RATING)				
In € millions	Available for sale	Loans and receivables	Other financial instruments	Total
AAA	14,143	687	50	**14,880**
AA	6,231	69	-	**6,300**
A	4,260	332	97	**4,689**
BBB	2,160	-	-	**2,160**
< BBB	12	-	-	**12**
Not rated	49	8,859	442	**9,350**
Total	**26,855**	**9,947**	**589**	**37,391**

BREAKDOWN OF FAIR VALUE OF FINANCIAL ASSETS 2019 (RATING)				
In € millions	Available for sale	Loans and receivables	Other financial instruments	Total
AAA	14,033	692	220	**14,945**
AA	5,232	304	37	**5,573**
A	4,641	137	34	**4,812**
BBB	2,975	-	-	**2,975**
< BBB	106	-	-	**106**
Not rated	7	7,816	421	**8,244**
Total	**26,994**	**8,949**	**712**	**36,655**

SRLEV considers the financial assets with the credit rating BBB or higher as the assets with low credit risk. The total not rated assets consists mainly (for more than 90%) of mortgages and private loans linked to savings mortgages.

- Mortgages. The total portfolios are assumed to have a low credit risk because good social security systems in the Netherlands reduce the risk of consumers not being able to repay the mortgages. In case of unemployment, social security payments allow the home owners time to find a new job and does not force home owners into selling their houses. As a result it is unlikely that consumers do not meet their contractual cash flow obligations. The mortgages themselves are primarily standardised financial instruments without additional contractual provision contributing to an increased credit risk. Therefore, the mortgages are assumed to have a low credit risk.
- Private loans linked to savings mortgages. As a result of cession/retrocession being applied to the vast majority of these instruments, the commercial banks with an investment grade became counterparties. No contractual provisions are present based on which the credit risk of the instruments could additionally be increased as compared to the regular counterparty credit risk. As a result, these instruments are assumed to have a low credit risk.
- Other private loans. These are primarily loans granted to municipality or comparable bonds. These municipality bonds are risks to Dutch (AAA rated) and French (AA rated) governments and considered investment grade. Apart from that, the loans do not have a subordinated character compared to other liabilities of these entities. As a result, these instruments are assumed to have a low credit risk.
- Loans and advances due from banks. Even if these instruments are not individually rated, all the banks being the counterparties to these instruments have an investment credit rating, so it is our assumption that these banks have a strong capacity to meet their contractual cash flow obligations in the near term. Apart from that, no contractual provisions are present based on which the credit risk of the instruments could additionally be increased as compared to the regular counterparty credit risk. As a result, these instruments are assumed to have a low credit risk.

The assets rated lower than BBB are not considered to be the assets with low credit risk. As these assets are classified as available for sale, their fair value equals their carrying amount.

39 Hedging and Hedge Accounting

SRLEV uses various strategies for its insurance business to hedge its interest rate, market and currency risks. Under IFRS, derivatives are recognised at fair value in the statement of financial position, while changes in their fair value are recognised through profit or loss. An accounting mismatch arises if changes in the fair value of hedged risks are not recognised through profit or loss, causing volatility in the results. In these cases, hedge accounting is applied in principle to mitigate the accounting mismatch and volatility.

The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which SRLEV is active in the relevant markets.

DERIVATIVES FOR HEDGING PURPOSES 2020						
	Nominal amounts				Fair value	
In € millions	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	7,509	13,014	41,076	**61,599**	5,154	-1,058
- Options	-	-	5,304	**5,304**	126	-17
Currency contracts						
- Swaps	326	481	651	**1,458**	10	-1
- Forwards	3,850	-	-	**3,850**	62	-4
Total	**11,685**	**13,495**	**47,031**	**72,211**	**5,352**	**-1,080**

DERIVATIVES FOR HEDGING PURPOSES 2019						
	Nominal amounts				Fair value	
In € millions	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	2,005	8,970	29,809	**40,784**	2,847	-652
- Options	-	-	5,731	**5,731**	128	-13
Currency contracts						
- Swaps	-	573	751	**1,324**	6	-7
- Forwards	3,935	-	-	**3,935**	36	-2
Total	**5,940**	**9,543**	**36,291**	**51,774**	**3,017**	**-674**

The notionals of the derivatives are not disclosed netted (positive and negative).

The nominal amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These nominal amounts are not an indication of the size of the cash flows or market and credit risks relating to the transactions.

Hedging

SRLEV uses derivatives to protect the market value of own funds and regulatory solvency against undesired market developments. Examples include:

- hedging interest rate risks arising from return guarantees made to policyholders;
- hedging interest rate risks arising from obligations to share surplus interest with policyholders;
- hedging interest rate risks arising from the difference in maturities between investments and liabilities;
- hedging currency risks on investments and liabilities denominated in foreign currencies.

Hedge Accounting

SRLEV applies two types of hedge accounting, fair value hedges and cash flow hedges, in the majority of the hedging strategies described above.

Fair Value Hedges

Hedging Interest Rate Risk on Subordinated Debt

SRLEV hedges the interest rate risk in the subordinated debt using interest rate swaps.

Cashflow Hedges

Hedging Interest Rate Risk in Future Reinvestments

SRLEV has extended the effective maturity of the investment portfolio using interest rate swaps. As a result, the interest rate risk has been hedged by fixing the interest rates at the time of reinvestment, making the interest income constant over a longer period.

The cash flow hedge reserve in shareholders' equity, before application of shadow loss accounting, related to the aforementioned swaps is € 290 million (2019: € 233 million). This reserve is amortised based on the effective interest method and the maturity date of the longest leg of the swap.

40 List of Principal Subsidiaries

OVERVIEW OF PRINCIPAL SUBSIDIARIES				
Name	Country of incorporation and place of business	Nature of business or industry	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by the group (%)
RE Griftlaan Zeist BV	The Netherlands, Utrecht	Property management	100	100
GVR500 Building BV	The Netherlands, Utrecht	Property management	100	100
RE Young Urban Housing BV	The Netherlands, Amstelveen	Property management	100	100
REAAL De Ruyterkade BV	The Netherlands, Utrecht	Property management	100	100
REAAL Kantoren I BV	The Netherlands, Utrecht	Property management	100	100
REAAL Landbouw I BV	The Netherlands, Utrecht	Property management	100	100
REAAL Landbouw II BV	The Netherlands, Utrecht	Property management	100	100
REAAL Landbouw III BV	The Netherlands, Utrecht	Property management	100	100
REAAL Winkels I BV	The Netherlands, Utrecht	Property management	100	100
REAAL Winkels II BV	The Netherlands, Utrecht	Property management	100	100
REAAL Wognumsebuurt BV	The Netherlands, Utrecht	Property management	100	100
REAAL Woningen I BV	The Netherlands, Utrecht	Property management	100	100
RZL Investment Funds	The Netherlands, Utrecht	Investment management	range	range
ACTIAM Index Funds	The Netherlands, Utrecht	Investment management	range	range
Rabo Dutch Mortgages Fund Yellow*	The Netherlands, Amsterdam	Investment management	n/a	n/a
Share Debt Programme I*	The Netherlands, Amsterdam	Investment management	n/a	n/a
Athora Lux Invest*	Luxembourg, Luxembourg	Investment management	n/a	n/a
Bellecom NV	Belgium, Brussels	Property management	100	100
NV Pensioen ESC	Curaçao, Willemstad	Pension fund	100	100

*These entities are consolidated by SRLEV based on the IFRS 10 control criteria, hence they are disclosed as subsidiaries. They are investment funds with SRLEV as the only investor, however due to their legal form they do not issue share capital. As a result the disclosure of percentage of shares owned is not applicable.

6.4 SEGMENTATION

Segment Information

In 2020 the operating segments of SRLEV are:
- Individual life insurance services are allocated to the segment Individual Life;
- Collective life insurance services are allocated to the segment Life Corporate.

Individual Life

This segment mainly consists of life annuity insurances, mortgage-related endowment, term-life insurances, funeral insurances and unit-linked insurances. These products are targeted at the retail and SME markets.

Life Corporate

This segment offers pension solutions for business customers. A range of products provide the employees of our customers freedom in making the right decisions to secure their financial future. The main brand of this product line is Zwitserleven.

Accounting basis between reportable segments

Costs are allocated within SRLEV on an accrual basis. The prices of other transactions between group companies are in principal based on arms' length conditions.

Statement of Financial Position by Segment

STATEMENT OF FINANCIAL POSITION BY SEGMENT 31 DECEMBER 2020				
In € millions	Life Corporate	Individual Life	Elimination	Total
Assets				
Property and equipment	25	13	-	**38**
Investments in associates	38	-	-	**38**
Investment property	85	436	-	**521**
Investments	27,778	13,398	-	**41,176**
Investments for account of policyholders	9,732	4,056	-	**13,788**
Investments for account of third parties	-	1,338	-	**1,338**
Derivatives	4,620	732	-	**5,352**
Deferred tax	835	-	-248	**587**
Reinsurance share	-	27	-	**27**
Loans and advances due from banks	217	372	-	**589**
Corporate income tax	18	-	-18	**-**
Other assets	-87	333	-	**246**
Cash and cash equivalents	204	117	-	**321**
Total assets	**43,465**	**20,822**	**-266**	**64,021**
Equity and liabilities				
Share capital	0	0	-	0
Reserves	931	2,403	-	**3,334**
Shareholders' equity	**931**	**2,403**	**-**	**3,334**
Holders of other equity instruments	100	250	-	**350**
Total equity	**1,031**	**2,653**	**-**	**3,684**
Subordinated debt	394	372	-	**766**
Insurance liabilities	37,015	14,326	-	**51,341**
Liabilities investments for account of third parties	-	1,338	-	**1,338**
Provision for employee benefits	219	-	-	**219**
Other provisions	9	8	-	**17**
Derivatives	995	85	-	**1,080**
Deferred tax	-	248	-248	**-**
Amounts due to banks	3,436	1,215	-	**4,651**
Corporate income tax	-	23	-18	**5**
Other liabilities	366	554	-	**920**
Total equity and liabilities	**43,465**	**20,822**	**-266**	**64,021**

STATEMENT OF FINANCIAL POSITION BY SEGMENT 31 DECEMBER 2019				
In € millions	Life Corporate	Individual Life	Elimination	Total
Assets				
Property and equipment	31	19	-	**50**
Investments in associates	37	-	-	**37**
Investment property	74	384	-	**458**
Investments	25,227	13,610	-	**38,837**
Investments for account of policyholders	9,134	4,386	-	**13,520**
Investments for account of third parties	-	448	-	**448**
Derivatives	2,438	579	-	**3,017**
Deferred tax	627	-	-185	**442**
Reinsurance contracts	-	46	-	**46**
Loans and advances due from banks	322	390	-	**712**
Corporate income tax	-	13	-10	**3**
Other assets	-61	289	-	**228**
Cash and cash equivalents	151	115	-	**266**
Total assets	**37,980**	**20,279**	**-195**	**58,064**
Equity and liabilities				
Share capital	0	0	-	**0**
Reserves	1,035	2,125	-	**3,160**
Shareholders' equity	**1,035**	**2,125**	**-**	**3,160**
Holders of other equity instruments	-	250	-	**250**
Total equity	**1,035**	**2,375**	**-**	**3,410**
Subordinated debt	397	377	-	**774**
Insurance liabilities	33,628	15,240	-	**48,868**
Liabilities investments for account of third parties	-	448	-	**448**
Provision for employee benefits	198	-	-	**198**
Other provisions	4	11	-	**15**
Derivatives	631	43	-	**674**
Deferred tax	-	185	-185	**-**
Amounts due to banks	1,716	999	-	**2,715**
Corporate income tax	10	-	-10	**-**
Other liabilities	361	601	-	**962**
Total equity and liabilities	**37,980**	**20,279**	**-195**	**58,064**

Statement of Profit or Loss by Segment

STATEMENT OF PROFIT OR LOSS BY SEGMENT 2020			
In € millions	Life Corporate	Individual Life	Total
Income			
Premium income	1,093	669	**1,762**
Less: Reinsurance premiums	245	3	**248**
Net premium income	**848**	**666**	**1,514**
Fee and commission income	26	22	**48**
Fee and commission expense	11	6	**17**
Net fee and commission income	**15**	**16**	**31**
Share in result of associates	1	-	**1**
Investment income	576	520	**1,096**
Investment expense for account of policyholders	625	67	**692**
Result on investments for account of third parties	-	115	**115**
Result on derivatives	1,706	69	**1,775**
Total income	**3,771**	**1,453**	**5,224**
Inter-segment revenues	13	12	
Expenses			
Technical claims and benefits	2,802	840	**3,642**
Charges for account of policyholders	1,110	196	**1,306**
Acquisition costs for insurance activities	1	14	**15**
Result on liabilities from investments for account of third parties	-	115	**115**
Staff costs	93	84	**177**
Depreciation and amortisation of non-current assets	2	-	**2**
Other operating expenses	20	19	**39**
Impairment losses (reversals)	5	6	**11**
Other interest expenses	23	29	**52**
Total expenses	**4,056**	**1,303**	**5,359**
Result before tax	**-285**	**150**	**-135**
Tax (expense) / benefit	-125	18	**-107**
Net result continued operations	**-160**	**132**	**-28**

STATEMENT OF PROFIT OR LOSS BY SEGMENT 2019			
In € millions	**Life Corporate**	**Individual Life**	**Total**
Income			
Premium income	1,086	762	**1,848**
Reinsurance premiums	192	3	**195**
Net premium income	**894**	**759**	**1,653**
Fee and commission income	19	24	**43**
Fee and commission expense	11	6	**17**
Net fee and commission income	**8**	**18**	**26**
Share in result of associates	1	-	**1**
Investment income	756	484	**1,240**
Investment income for account of policyholders	1,428	639	**2,067**
Result on investments for account of third parties	-	86	**86**
Result on derivatives	1477	177	**1,654**
Total income	**4,564**	**2,163**	**6,727**
Inter-segment revenues	13	13	
Expenses			
Technical claims and benefits	2,574	923	**3,497**
Charges for account of policyholders	1,688	804	**2,492**
Acquisition costs for insurance activities	2	15	**17**
Result on liabilities from investments for account of third parties	-	86	**86**
Staff costs	77	63	**140**
Depreciation and amortisation of non-current assets	1	1	**2**
Other operating expenses	20	17	**37**
Impairment losses	-7	-	**-7**
Other interest expenses	22	47	**69**
Total expenses	**4,377**	**1,956**	**6,333**
Result before tax	**187**	**207**	**394**
Tax expense	16	48	**64**
Net result continued operations	**171**	**159**	**330**

7 MANAGING RISKS

7.1 RISK MANAGEMENT SYSTEM

7.1.1 General

SRLEV has established a Risk Management System (see figure Risk Management) that is aimed at a controlled and effective achievement of the strategic objectives. It relates risks to the strategic, financial and operational objectives as well as to the objectives in the areas of sustainability and reputation. The framework consists of organisational, control and culture components. The management of SRLEV recognises that transparency is a vital element in effective risk management. The Executive Board and the Athora Netherlands Risk Committee (VRC), which is responsible for setting the Risk Management System, monitor that the desired culture and level of risk awareness are translated into identifiable aspects, such as desirable behaviour, details of the risk appetite or criteria for evaluation of employees.

The Executive Board of Athora Netherlands has set guidelines in the areas of strategy, culture and risk governance in order to enable risk assessments to be performed properly and efficiently. These guidelines apply to the entire organisation. SRLEV seeks to have an open culture in which risks can be discussed, employees feel a responsibility to share information on risks and (pro)active risk management is appreciated.

The established Integrated Control Framework (ICF) provides the basis for the internal control system on risk maturity of process key controls and management controls within SRLEV. The management of Product or Functional Lines is responsible for day-to-day operations within the Risk Management System, schedules the testing of operating effectiveness of key controls and prepares operational plans on a yearly basis. These plans are subject to the approval of the Executive Board of Athora Netherlands.

For all components within the ICF, standards include applicable minimum requirements. All components of SRLEV are scored for each Product Line and Functional Line by a yearly assessment of all Management Controls, in which both first line and second line of defence are involved.

7.1.2 Overview

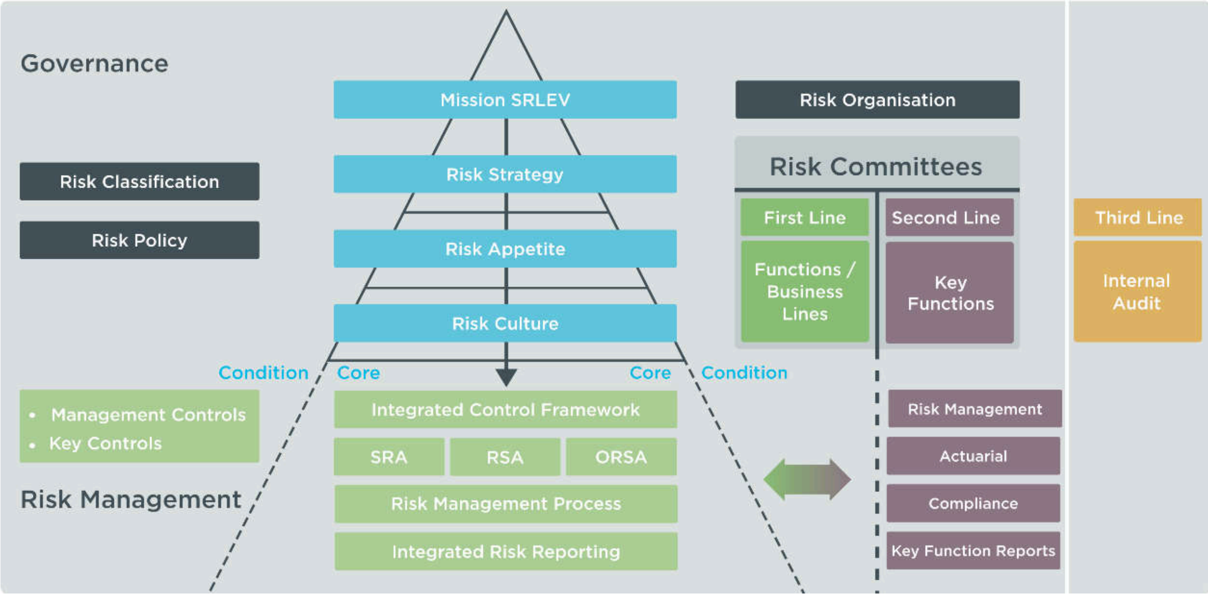
In the Risk Management System, specific Solvency II requirement such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Risk Management System of SRLEV operates an integrated approach for risks that the organisation is or could be exposed to, with Risk Management being an integral part of the decision making process. Major decisions of the Executive Board have to be accompanied by a Key Function opinion.

The core of the Risk Management System consists of a Governance part at which, starting from the SRLEV Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the first line product and functional lines and the second line key functions use the same risk classification, operations are covered by the Risk Appetite and are aligned by a policy structure.

Governance including an adequate Risk Culture, is conditional for performing risk management on tactical and operational level, with as the core a control cycle of risk identification-measurement-mitigation and continuous monitoring and reporting. The Risk Management Process is supported by the ICF, build up from several components that together form the basis for sound and controlled business operations and hence for visibly being in control of SRLEV and its Product and Functional lines. The ICF measures maturity of risk management and ensures steering on correct and complete risk reports.

The internal reports are a part of (the operation of) the Risk Management Process. The reports on recognised types of risks are input for the integrated risk reports, enabling Key Risk Indicator (KRI) monitoring and drawing management attention to deviations of the risk tolerance limits.

SRLEV performs Risk Self Assessments (RSA) and Strategic Risk Assessments (SRA). An ORSA is incorporated in the Risk Management System of SRLEV and is performed at least annually.



Risk Management

7.2 RISK MANAGEMENT GOVERNANCE

7.2.1 Mission

SRLEV has expressed the ambition to become the number 1 Pension provider in the Netherlands, offering the best value for money. With this focus as starting point a Risk Strategy is set out that contributes to a sustainable growth of SRLEV, for the benefit of all its stakeholders.

In order to achieve the mission, SRLEV takes its role in society seriously. Corporate Social Responsibility (CSR) forms an integral part of the strategy and business operations. SRLEV wishes to offer simple and comprehensible, competitively priced products in efficient business processes, using a central back office in addition. SRLEV pursues a customer-centric strategy, with Zwitserleven positioned clearlyin the pension market. The focus on Pensions allows for a more agile and lean operation bringing costs to a lower required level.

7.2.2 Risk Strategy

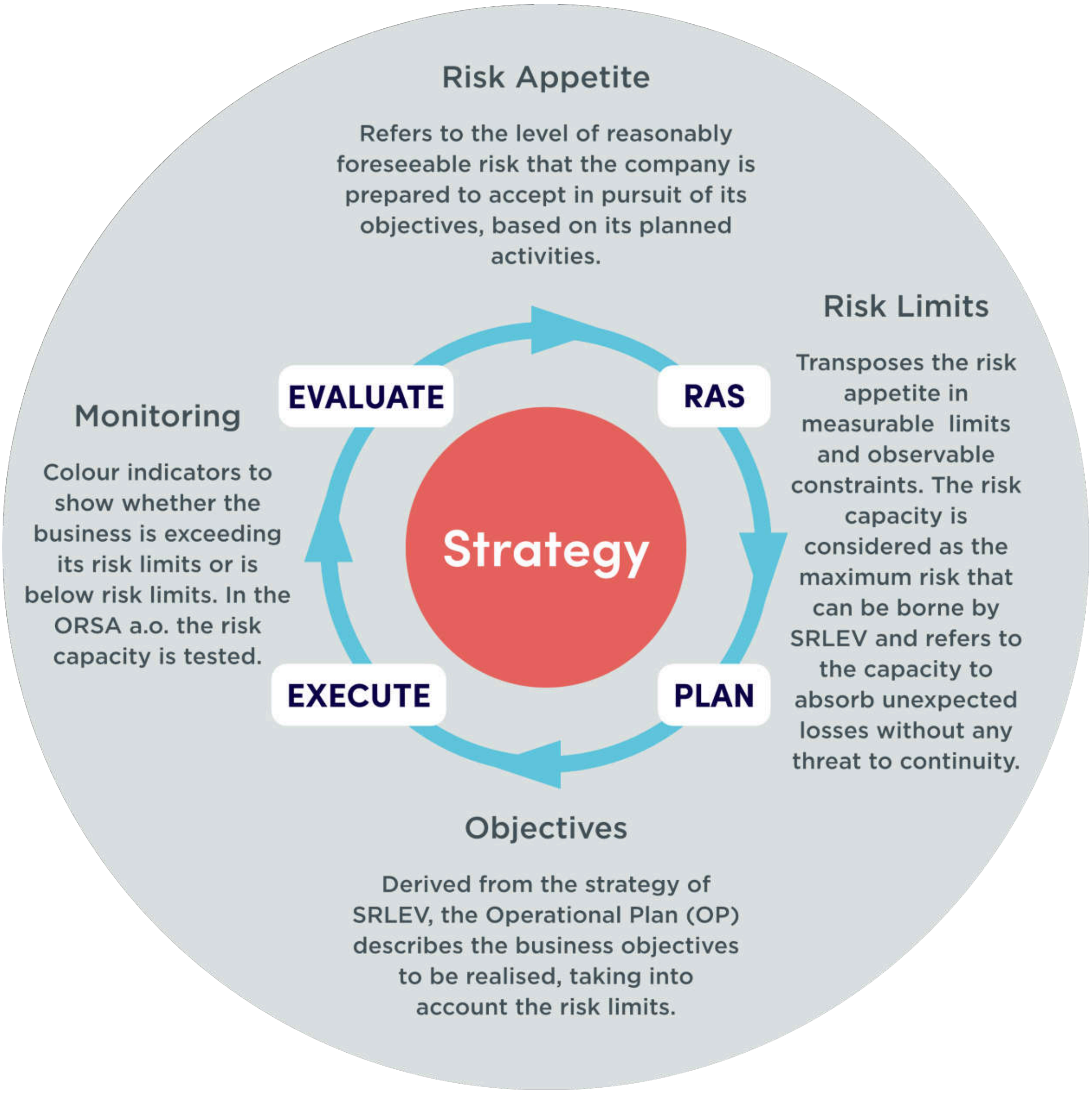
SRLEV has derived a Risk Strategy, a supporting set of objectives following from the mission to achieve the strategic goals. Athora Netherlands aims for a robust and strong capital position, which contributes to the trust of customers, employees, society and financial markets in the company. Athora Netherlands offers compet- itively priced products by utilising economies of scale in its organisation. The Risk Strategy is expressed in the Risk Appetite.

As main principles SRLEV has defined a robust capital position, a sustainable capital generation and sound and controlled business operations.

SRLEV provides guarantees for future payments to its customer and therefore SRLEV needs a strong capital position. The Executive Board would like to hold a buffer above regulatory requirement to absorb temporary volatility and provide more certainty to its customers.

7.2.3 Risk Appetite

The Risk Tolerance in the Risk Appetite is set at least annually by the Executive Board and confirmed by the Risk Committee (RC) of the Supervisory Board. The Risk Tolerance is limited by the risk capacity, which indicates the maximum amount of risk SRLEV can accept at consolidated level, in view of its capital and liquidity position and any restriction due to funding agreements or requirements imposed by regulators. The risk tolerance is subsequently translated into practical risk objectives.



Risk Appetite Framework

Risk Appetite is defined at Athora Netherlands level, including SRLEV. Subsequently it is elaborated for risks on the individual legal entity level or specific Business Lines or Functions in the form of individual quantitative risk limits and qualitative constraints. The limits are measurable; the qualitative constraints are observable. When implementing the strategy, the Executive Board gives guidelines to the Busines Lines for establishing Operational plans, taking into account the set Risk Appetite and corresponding limits on entity level. With those objectives and constraints as starting point, the Business Lines optimise risk and return by developing the best possible products and services.

The evaluation of the Risk Tolerance in the Risk Appetite, which is carried out at least once a year, consists of a number of steps, including risk identification, the determination of risk capacity, the selection of measures, risk mitigation, risk criteria, reporting and monitoring.

7.2.4 Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. SRLEV has awareness programs in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. SRLEV has five core behaviours: Client Focus, Result Driven, Immediate Execution, Take Responsibility and Change Attitude.

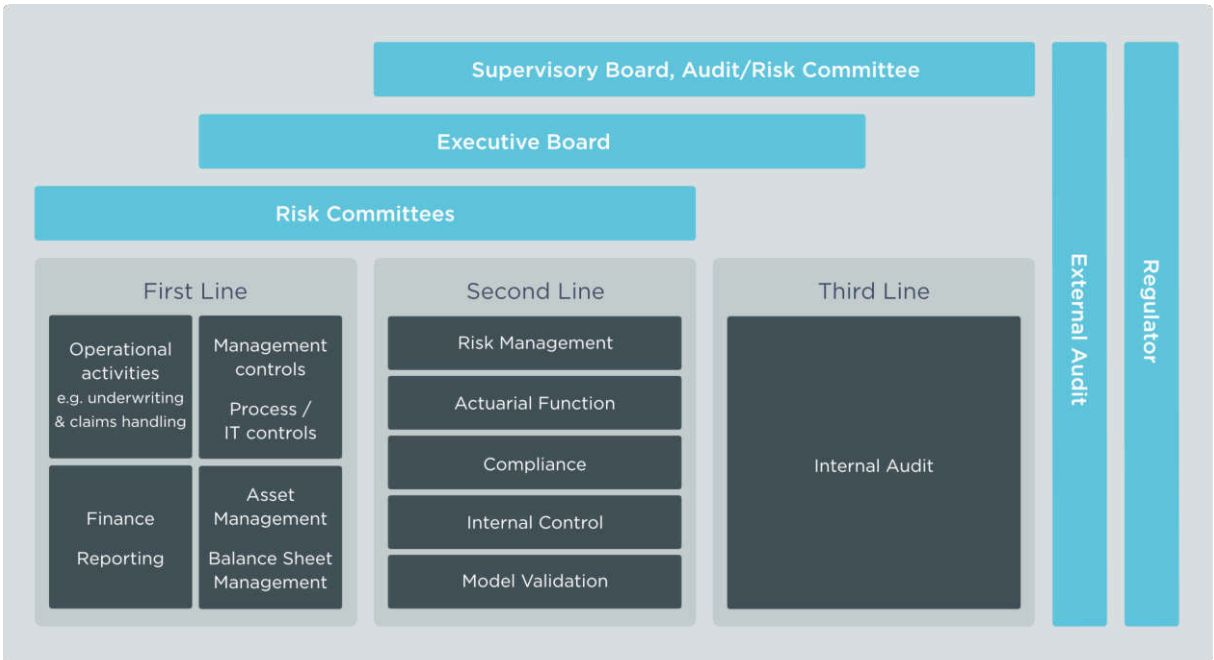
SRLEV realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. SRLEV encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (pro) active risk management is appreciated. Exemplary behaviour, the openness for discussion of dilemmas, practicability of policy and transparency are inseparably linked to an open corporate culture.

Risk Culture is also embedded in the organisation by risk management being an integral part of the organisational processes and decision making of SRLEV. Decision making is clear, explicit, and in line with the Risk Policy and Risk Appetite of SRLEV. The management teams of the Product Lines and Functional Lines promote awareness of risks and are supported by the second line departments of the Risk organisation. The management teams are responsible for ensuring that risk decisions are made in accordance with the delegated authorities, in consultation with all second line Solvency II key functions.

Furthermore, SRLEV ensures that senior management and employees on key functions at all times are fit and proper to fulfill their job. Finally, Athora Netherlands' Remuneration Policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

7.2.5 Risk Organisation

SRLEV implemented the "Three Lines of Defence" control model (3LoD) including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimisation and integration of the risk management.



Three Lines of Defence

First Line: Risk Taker

Business plans are prepared in the first line. With this preparation, the first line operationalises the (risk) strategy, focusing on the primary process (i.e. underwriting, claims handling, preparing financial accounts) of the business and investment activities.

Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk taker to achieve an optimum risk/return. Consequently risks are managed by identifying, measuring, mitigating and monitoring them and report whether the risks remain within the risk appetite of Athora Netherlands and its underlying entities, including SRLEV.

Risk Self Assessments are carried out and in combination with the ORSA, these assessments could lead to changes in the (risk) strategy. For all these activities the first line has an active role in various risk committees including the ability to demonstrate management and process controls according to the standards as set by the ICF.

Second Line: Risk Management

The second line has a monitoring role in respect of the risk management actions and activities carried out by the first line. The second line assesses actions in the first line as well as the effectiveness of procedures by means of testing key controls, and is responsible for monitoring the overall risk profile to be in line with the risk appetite.

The second line is also responsible for formulating the Risk Management System and setting Risk Policies. The first line is responsible for the execution of these policies. The second line assesses policy compliance on a regular basis, using risk reports, reports on management and process key controls and own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically.

The second line risk management organisation of Athora Netherlands, including SRLEV, is part of the Risk department, resorting under the Chief Risk Officer (CRO). This department includes the second line Financial and Non-Financial Risk departments. The CRO is member of the Executive Board.

Third Line: Internal Audit

Audit Athora Netherlands is the independently operating audit function: Audit Athora Netherlands provides assurance and consulting services, helping Athora Netherlands to accomplish its objectives by evaluating and improving the effectiveness of governance, risk management and control processes.

Audit Athora Netherlands does not take part in determining, implementing or steering of Athora Netherlands's risk appetite, risk management processes and risk responses. Audit Athora Netherlands reports to the chairman of the Executive Board of Athora Netherlands and has direct access to the Chairman of the Audit Committee of the Supervisory Board of Athora Netherlands.

Audit Athora Netherlands performs risk based audits on Athora Netherlands's risk management processes, including their design and how well they are working, on the management of key risks, including the effectiveness of the controls and other activities, and on the reliability and appropriateness of risks and reporting of risk and control status. This means formulating an opinion on whether the organisation's risk management methodology is under- stood by key groups or individuals involved, including the Executive Board and the Audit Committee. Further, Audit assesses whether risk management processes are sufficient to protect the assets, reputation, and ongoing operations of the organisation.

Risk Committees

In addition to the risk management organisation, Athora Netherlands has established Risk Committees to manage risks effectively. Athora Netherlands has established at Group level the following Risk Committees: Risk Committee Executive Board (RC-EB), Finance and Risk Committee (FRC), Investment and Balance Sheet Committee (IBC), Operational Risk and Compliance Committee (ORC Athora Netherlands) and Product Committee (PC). The ORC Athora Netherlands is leading for the underlying MT's, where the issues regarding Operational Risk and Compliance.

Key Functions

In accordance with Solvency II Athora Netherlands recognises four Key Functions. The Functions are established on Group level and carry out activities on behalf of all insurance entities of Athora

Netherlands, including SRLEV. The CRO is the Risk Management Function Holder, the Director Financial Risk is the Actuarial Function Holder and the Director Non-financial Risk is the Compliance Function Holder. The Director Audit Athora Netherlands is the Audit Function Holder.

The Risk Management Function (RMF) coordinates the Enterprise Risk Management Report (ERM Report), an integrated report with Key Takeaways from the three second line Key Functions (Risk Management Function, Actuarial Function and Compliance Function). Besides the major financial and non-financial risks within Athora Netherlands it shows strategic developments and emerging risks. The ERM Report presents issues compiled on the basis of the information obtained from monitoring reports, risk dashboards, RAS, Internal Control Statements, reports by internal and external regulators, incidents and issues reported, and own assessments & perceptions. The Risk opinion is discussed in the risk committees and in EB, VRC and the Risk Committee of the Supervisory Board.

The RMF provides annually the Risk Management Function Review Report, aimed at providing a sufficient level of assurance that the Solvency II-figures, and Solvency II and IFRS sensitivities, are determined ade- quate and reliable. This RMF report is submitted to the VRC and the Audit Committee of the Supervisory Board.

The Actuarial Function (AF) opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore assesses the reliability and adequacy of Underwriting and Reinsurance programmes. The Actuarial Function Report (AFR) is submitted to the VRC and the Audit Committee of the Supervisory Board.

Regularly the RMF and the AF submit an update based on the follow-up of findings in the AFR and RMF report, supplemented with recent findings and advices. This update is part of the ERM report.

The main purpose of the Compliance Function is to support management in conducting its business operations in a controlled, honest and sound manner, and with regard to the risks which in this context are a threat to achieving the strategic objectives, obligations arising from laws and regulations, insights from social discussions and guidelines imposed by regulators. The Compliance Function provides regularly, as part of the ERM Report, a report on the most important Compliance Risks of SRLEV to the VRC and the Risk Committee of the Supervisory Board.

7.2.6 Risk Policy

SRLEV has an integrated risk management policy structure incorporated in that of Athora Netherlands. The entire policy structure is accessible to employees through the internal policy site. The policy structure ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level. The Risk Policy is structured in levels, the aim is to give insight in the cascading from (Solvency II) legislation, (second line) risk policy, corresponding processes and (first line) implementation. At least once a year the Risk Policies are assessed, adjusted if necessary and approved following regular governance.

7.2.7 Risk Classification

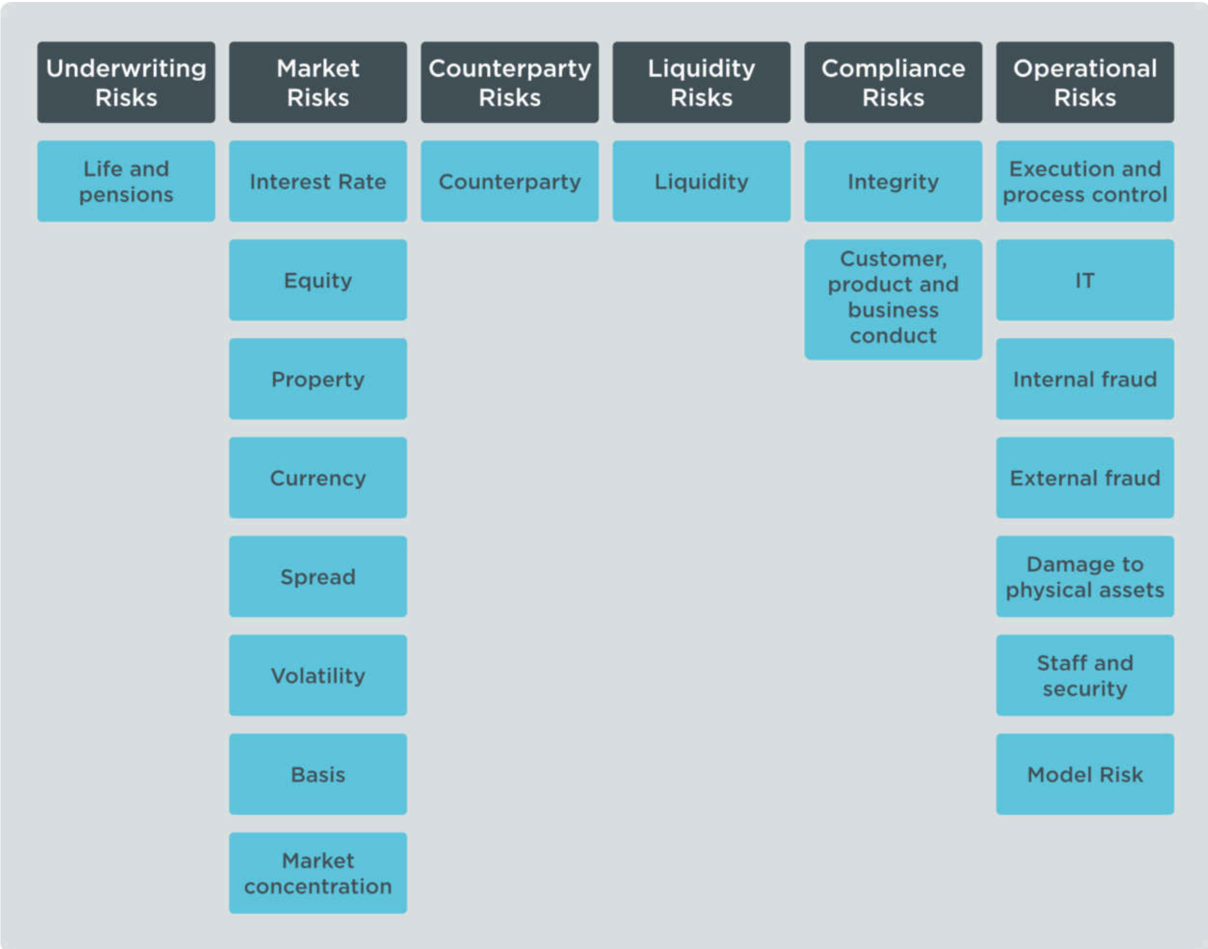
SRLEV provides insight into the risks for the business itself and for its stakeholders to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of Risk Management. Clarity is crucial to ensure adequate risk management. In order to clarify the communication and management of risks, the risk classification includes an extensive list of mutually exclusive risk types to which SRLEV is or could be exposed.

SRLEV has defined and structured different risk types, partly based on applicable laws and regulations (such as SII Standard Formula), and on the international ORX Reference Taxonomy. As part of its strategy, SRLEV deliberately takes Underwriting risks and Market risks aiming for returns. As a consequence, taking Counterparty risk and Liquidity risk may contribute to those returns. Compliance risk and Operational risks are inherent risks that do not provide more returns when taking more risk and have to be controlled and managed at a minimal level.

Strategic risks relate to future business developments and may eventually materialize as one of the main or sub risk types. Strategic risks are monitored in the Enterprise Risk Management Report. In the risk assessment on the Operational Plans several internal and external strategic development scenarios are taken into account.

Emerging risk is a newly developing or changing risk that may evolve to one of the main or sub risk types, and which is perceived to have a potential significant impact on SRLEVs financial strength, competitive position or reputation. Identifying and assessing emerging risks are incorporated in the risk management system.

SRLEV applies the Solvency II Standard Formula. Not all of the risk categories are part of the Solvency Capital Requirement (SCR) calculation. The SCR calculation does not contain Liquidity, Model and Compliance Risk. The tables below show a breakdown of the SCR of SRLEV.



Risk Classification

The risk categories will be explained in more detail in the next paragraphs.

To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks in paragraph 7.5 and further. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risk after shock.

7.3 RISK CONTROL

Risk control within the risk management process is a continuous process of identifying and assessing risks and establishing controls. Risk control is an inextricable part of the strategy, policy, processes, procedures, operational embedding, allocation of capacity and responsibilities, and independent testing of control effectiveness. The first and second line departments have been assigned a responsibility in this process, which is supported by the Integrated Control Framework (ICF).

7.3.1 Integrated Control Framework

The Integrated Control Framework (ICF) is SRLEVs internal control system and is part of its Risk Management System. The objective of the ICF is to provide reasonable assurance regarding the design, effectiveness and efficiency of SRLEVs management activity, operations and processes, the reliability of SRLEVs financial, operational and other internal and external reporting, and compliance with regulatory requirements.

Internal control is a dynamic and iterative process. The ICF contains four core components within this process that form the basis to ensure and provide assurance for a sound and controlled execution of the operations within SRLEV. These components are Risk assessment, Control activities, Testing and assurance and Monitoring activities. For all these components standards and key requirements are defined.

The ICF forms the basis for sound and controlled operations within SRLEV and monitors Process Controls and Management Controls.

7.3.2 Process Controls and Management Controls

Optimisation of Integrated Control Framework

The improvement and optimization of the Integrated Control Framework (ICF) is a continuous process. On the one hand SRLEVs organisation develops and changes over time and the ICF needs to adapt to the new situation. On the other hand there is also a continuous process to improve the effectivity of the ICF itself. The basis of the ICF and the GRC tooling was implemented in the period 2015-2017. Like in the previous years also in 2020 new initiatives were taken for further improvements. Based on an analysis of all the individual areas within the ICF a comprehensive program has started where all the stakeholders are involved. The focus of this program is to strengthen the fundament of the ICF, namely the quality of process risk assessments, process- and key control design and change procedures. This program continues in 2021 and will help SRLEV to develop and change in a sound and controlled manner.

Testing of Effectiveness

Periodically the effectiveness of process key controls is tested according to a predefined schedule. Within a quarterly cycle the first line performs the testing activities for those process key controls that are subject to testing requirement. The second line department performs an independent review which may contain a reperformance. The results of the review activities are discussed with and followed up by responsible first line management. Management controls (or entity level controls) provide an understanding and insight in the maturity level of risk management and risk control in the individual Product- and Functional Lines. Management controls are designed on the basis of relevant legislation (e.g. WFT, Solvency II) and internal risk management and compliance policies. The individual management controls are tested annually by the first line in a self-assessment process. The Operational Risk Management and Compliance departments perform an independent second line review on the results. All second line review results are reported to Business Lines and Functions, and on an aggregated level to the EB.

The professional standards and scoping used for testing by SRLEVs first and second line are assessed by the external auditor in order to, as much as possible, make use of these testing procedures for audit purposes.

Management Controls – Maturity level increased in 2020

In 2020, the maturity level of risk management and risk control increased further as compared to 2019. Amongst others an increase was measured in maturity on Data Management (including governance and data quality in Solvency II reporting) and Process Management.

7.3.3 Risk Management Process

In this section for Underwriting Risk, Market Risk, Counterparty Default Risk and Non-financial risk the Risk Management Process is elaborated. For Liquidity Risk and Model Risk this is included in sections 7.8 and 7.9.

7.3.3.1 Underwriting Risk

SRLEV assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio.

Operational Plan

Derived from the SRLEV strategy, the Operational Plan (OP) sets targets with respect to volume and value of new business and the existing portfolio. The OP describes the planned development of the insurance portfolio together with the related capital requirement for the next three years taking into account an assigned risk budget or available capital. The OP sets out in broad terms whether SRLEV wants to enter new markets, which forms of distribution will be used, whether new (forms of) insurance products will be developed, and which products will be adjusted or terminated. It also lays down possible measures relating to acceptance and the mitigation of claims.

Product Development, Pricing and Acceptance

In accordance with the OP, new or adjusted products are developed which follow the Product Approval and Review Process (PARP). Starting from the customer's interests the target group, coverage and terms and conditions are determined. This is the basis for the best estimate risk premium, taking into account options and guarantees, capital requirements and the internal pricing curve. Furthermore, criteria related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance) must be met.

The Product Committee (PC), in which the Solvency II second line Key Functions are represented, is responsible for approval of new products, including the pricing. A selling product review is performed regularly, existing products follow a risk based product review calendar.

Technical Provisions

The provision is calculated monthly.A Liability Adequacy Test on the (IFRS) premium and claims reserves is performed once a quarter, or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insights as to parameters are involved. The Actuarial Function assesses the Solvency II Technical Provision and expresses an opinion on its reliability and adequacy at least once a year.

Parameter Study

For long-term policies (Life, Disability) evaluation of the underwriting parameters (e.g. mortality, lapses, disability, recovery) takes place by a parameter study. The aim of this study is to value the existing insurance portfolio and set the cost price of new Life insurance policies. Thereby relevant information on portfolio developments is taken into account.

Portfolio Analysis

Portfolio analysis is aimed at optimising risks and returns within the risk policy structure. This can lead to new strategic insights in areas such as entering new markets or terminating products. The analysis is based on the impact of underwriting risks following from various measures: SII own funds, long-term profitability, SCR and VNB. Based on the risk appetite, SRLEV mitigates underwriting risks primarily by means of diversification and reinsurance.

7.3.3.2 Market Risk

The ALM-policy covers the management of market risk, counterparty default risk and liquidity risk.

The starting point for the ALM policy is the Balance Sheet Assessment (BSA), which is drawn up annually. The BSA seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, laws and regulations. This BSA is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM and selected other asset managers, taking into account the risk tolerances in the Risk Appetite Statements (RAS), solvency ratio, the tax position and the long-term risk exposure. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital.

Investments are made in accordance with the prudent person principle and in the interest of the policyholders. The prudent person principle forms part of the ALM policy. Investments are made exclusively in assets and instruments for which the risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

The way SRLEV has organised its investment governance and oversight for both Own Account and Unit Linked ensures that the investment process operates in the context of (and ensures consistency with) the nature and duration of the insurance and re-insurance liabilities, the strategic and financial plans, the Risk Strategy and ensures that the overall risk position remains within the Risk Appetite Statement and other risk limits.

SRLEV monitors and mitigates market risk in close cooperation with ACTIAM. For mitigation, instruments such as interest rate swaps, futures, FX forwards, interest rate swaptions and fixed income investments are used.

Sensitivity Analyses and Stress Tests

Stress tests provide information on how sensitive investments and liabilities are to interest rate risk and other market risk. These risks are quantified (and monitored) on a regular basis.

For interest rate risk several parallel and non-parallel shocks are defined. For market risk a number of combined scenarios is determined with (different) simultaneous shocks to the various sub-market risks.

These market risk scenarios are monitored and reported on a regular basis, and if deemed necessary adjustments are made to existing market risk exposures (e.g. interest rate risk). The aim is to reduce the sensitivity of the Solvency II ratio within pre-defined risk appetite levels. This evaluation is supported by metrics for yield curve risk including non-linear interest rate risk (convexity). In this way SRLEV manages interest rate risk of the Solvency II ratio.

This approach reflects the sensitivity of the entire statement of financial position (of fixed cash flows, options, risk margin and required capital) drawn up.

7.3.3.3 Counterparty Default Risk

In addition to the calculation of SCR Counterparty Default Risk, SRLEV has developed a complementary Counterparty Risk Policy for internal use. This risk is measured in terms of Stress Loss (SL) and Loss At Default (LAD) derived thereof and encompasses all instruments/exposures with credit exposures that are in scope for SCR Credit Spread, SCR Concentration Risk and SCR Counterparty Default Risk. Appropriate internal SL and LAD limits have been incorporated in the ALM policy and must be adhered to.

SRLEV uses the methodology set out in the internal Counterparty Risk Policy to aggregate and monitor all counterparty exposures to various types of counterparties, such as (sub)sovereigns, financials and corporates on the individual counterparty basis. Monthly Counterparty Risk reports are generated and discussed by the Investment Committee for Athora Netherlands, including SRLEV, and appropriate measures are taken when limits are exceeded.

SRLEV manages counterparty default risk within the set frameworks. Investments may have to be sold when deemed necessary. Risk mitigating contracts or clauses are drawn up in cooperation with ACTIAM and Legal Affairs. The counterparty default risk at SRLEV is measured by the exposure to individual parties and, as the case may be, aggregating exposures with similar characteristics.

For each type of credit risk, the roles, powers and responsibilities of officers and committees, including tiered decision-making powers, are recorded in the policy documents for the relevant type of credit risk.

7.3.3.4 Non-financial Risk

In managing non-financial risks (Compliance risks and Operational risks, see section 7.9) SRLEV follows the risk management process as described below. The Risk Control Framework consists of five key tasks.

Risk identification

SRLEV systematically analyses Compliance and Operational Risks in order to make the risks transparent. This will enable SRLEV to control and manage its exposure within the risk tolerance limits in an efficient way. Risk identification is performed through risk assessments and, top-down and bottom-up risk analysis

Risk measurement

SRLEV uses a methodology to measure its operational risks based upon the combination of the likelihood of occurrence and the impact upon occurrence of the risk. This methodology is referred to as the risk rating procedure. The risk rating procedure is an assessment of the risk exposure SRLEV is facing at a certain moment in time, and an approach to assess the needs for controls, corrective actions and/or additional controls.

Risk mitigation

NFR supports and challenges the first line in the recognition and mitigation of Non-Financial Risks. For this, it carries out research, monitors control measures and informs management. This includes an integrated incident overview, the Non-Financial Risk Appetite KRI scores, and the effectiveness of management and process controls to draw attention to relevant issues in the field of internal control. NFR facilitates the business in training & awareness on Compliance and Operational Risks.

Risk monitoring

The objective of risk monitoring is to ensure that the internal control over the business processes remain effective and within the risk tolerance. Controls are designed to detect shortcomings in the control over processes. This is assessed through regular testing of the first line. Internal Control assesses through its monitoring activities whether the test results provide a reliable basis for the assessment of the level of control. NFR also monitors the progress of the implementation of laws and regulations and also on design, existence and operational effectiveness of the first line responsibility to implement laws and regulations.

Risk Reporting

In line with the VRC frequency NFR reports developments in non-financial risks and own observations in a Non-Financial Risk report, which provides a comprehensive overview of the major Non- Financial Risks and incidents within SRLEV. The Non-Financial Risk report is combined with the Financial Risk, Model Risk and Actuarial Function reports into the Enterprise Risk Management Key Take Aways.

Developments

In 2020 the management of the non-financial risks focused on five main developments, 1) the change of ownership of Athora Netherlands, 2) the Migration of P&C to NN, 3) remediation program Sanctions AML, 4) ICF improvement program and 5) the activities that are related to that, and the impact of COVID-19 crisis on the organisation. In order to maintain a sound and controlled organisation, the associated risks were addressed, managed and monitored within the Athora Netherlands risk management procedures.

7.4 CAPITAL MANAGEMENT

7.4.1 Definition

Capitalisation refers to the extent to which SRLEV has buffer capital to cover unforeseen losses and to achieve the strategic objectives of the company. SRLEV manages its capitalisation within limits set in the Risk Appetite Statements. Annually target setting happens in the Operational Plan culminating in a Capital & Funding Plan. Monthly and quarterly forward looking monitoring enables SRLEV taking timely action if capitalisation would deteriorate. SRLEV assesses its capitalisation regularly with respect to level and quality in the ORSA and with respect to risk / return in the Balance Sheet Assessment.

7.4.2 Capital Policy

SRLEV aims for a robust and strong capital position in accordance to its risk profile, which contributes to both the confidence that clients have in the institution and access to financial markets. SRLEV deems a solvency ratio between 140% and 200% as a business as usual level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet requirements. The available capital of SRLEV has to meet internal risk appetite standards as well as external requirements of regulators, rating agencies and also includes commercial considerations. Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds). The second objective of the Capital Policy is to ensure that capital is used as efficiently and flexibly as possible to facilitate the implementation of SRLEV's strategy.

A preparatory crisis plan exists which describes the procedure that applies in a contingency situation. A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of SRLEV. In its Risk Appetite, SRLEV has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on capital metrics and these are linked to governance and management measures. SRLEV's Capital Policy forms the basis for lower level policies, process descriptions and procedures.

Management uses the Operational Plan, Capital and Funding Plan, Balance Sheet Assessment, Risk Dashboards, ORSA, Preparatory Crisis Plan and Financial Risk Reporting for managing the capital position. The Capital and Funding Plan describes the medium-term activities relating to capital and funding, including a five-year solvency forecast. The Capital and Funding Plan is based on the Operational Plan as supplied by the underlying Business Lines.

7.4.3 Regulatory Framework

Solvency II is a risk-based regime consisting of three pillars. Pillar 1 regulates the capital requirements. Insurers should be capitalised adequate to their risks. Therefore, this pillar introduces two risk weighted measures: the Minimum Capital Ratio (MCR), and the Solvency Capital Ratio (SCR). Pillar 2 demands an adequate level of risk management and governance. Pillar 3 establishes standards of transparency.

7.4.4 ORSA

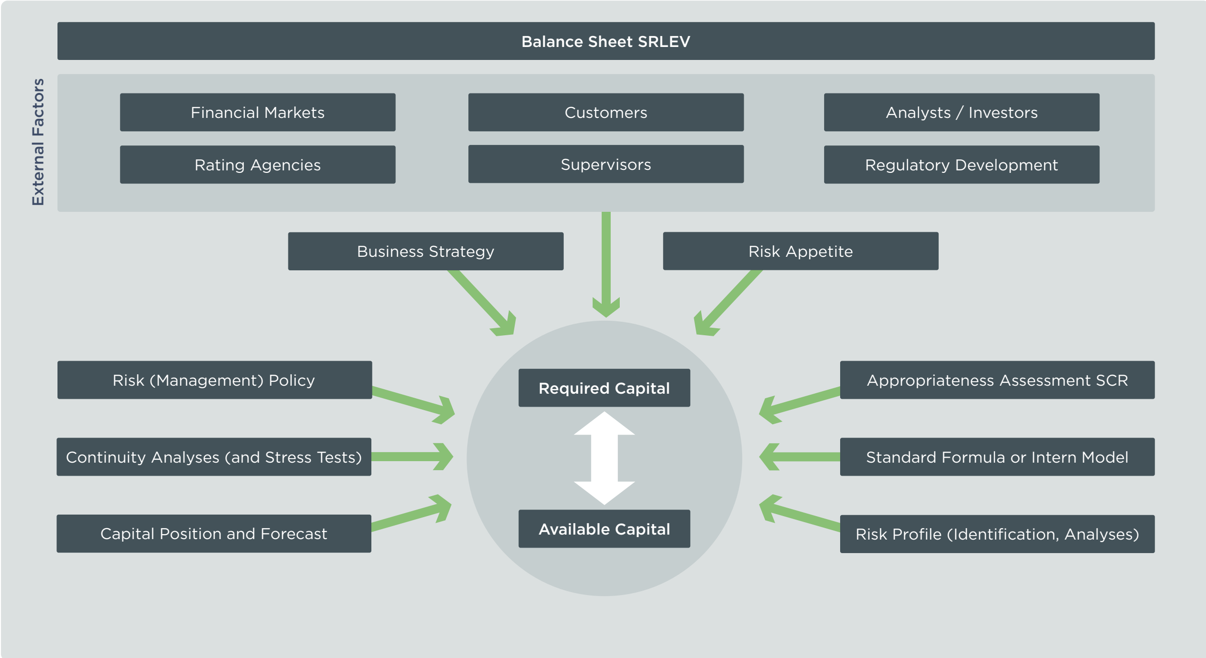
As part of its risk-management system SRLEV conducts its own risk and solvency assessment (ORSA). That assessment includes:

- the overall assessment of solvency taking into account the specific risk profile, approved risk tolerance limits and the business strategy of SRLEV;
- the significance in which the risk profile of SRLEV deviates from the assumptions underlying the SCR calculated with the standard formula.

The ORSA is an integral part of SRLEV's management control cycle and is filed with the regulator.

7.4.4.1 ORSA Process

The ORSA considers external factors, the business strategy, future developments, the risk profile and risk appetite to assess the amount and quality of capital. An overview is shown in the figure below.



ORSA Process

SRLEV performs the ORSA annually and if any significant change in its risk profile occurs. The Executive Board is accountable and actively involved. The appropriateness of the risk measurement is assessed and adequacy of capital is tested against a range of stressed scenarios thereby considering the possible effect of management actions.

7.4.4.2 Scenario Tests and Mitigating Action

An extensive risk identification process takes place. The identified risks are subject to a range of stress scenarios, which are severe but plausible, to test the financial position of SRLEV. This is in contrast to the Preparatory Crisis Plan, in which the scenarios should be severe enough to create a direct threat to the going concern of SRLEV.

For all scenarios in the ORSA mitigating management actions have been assessed.

7.4.4.3 Main Conclusions

SRLEV concludes that the standard formula is an appropriate risk management for SRLEVs risk profile and SRLEVS solvency is adequate for protecting its policy holders. Risks that are out-of-scope of the standard formula have been identified in risk assessments, examined in stress scenarios and mitigated by managerial actions. The quality of SRLEVs capital is sufficient, refinancing of a limited part of SRLEVs loans is only due in 2024. SRLEV complies with capital requirements and substantial liquidity and a Revolving Credit Facility is available to recover from stress. SRLEV believes that capital generation should improve substantially by moving towards the new strategic asset allocation and making the organisation more efficient and simultaneously growing the pension business, as planned in the new strategy.

7.4.5 Preparatory Crisis Plan

On 1 January 2019, the new law on Recovery and Resolution of insurers (Wet herstel en afwikkeling van verzekeraars) came into force in The Netherlands. As a result of this law, SRLEV has established a Preparatory Crisis Plan. In a Preparatory Crisis Plan an insurance group identifies its core businesses and sets out the possible key recovery measures to be taken in a situation of financial distress. The Preparatory Crisis Plan includes early warning indicators for emerging crises, a crisis management governance framework and the management actions SRLEV has at its disposal in a crisis situation to maintain its core businesses viable for the future. The effectiveness of the management actions is evaluated using different stress scenarios.

7.4.6 Capital Position

In 2020 as part of Athora Netherlands's strategy to achieve profitable growth for our company, SRLEV remained focused on improving capital generation. For example, by increasing the exposure to market risks (re-risking), by improving the business contribution (the Value New Business) and by further optimising the risk profile (by Balance Sheet Management initiatives) taking into account the Risk Appetite.

The Solvency II ratio of SRLEV remained stable at 163%.

SRLEV received € 300 million capital from Athora Netherlands in the form of a € 200 million share premium contribution and a € 100 million Tier 1 loan, which had a positive impact of 12%-point. Coupon payments on subordinated debt had an additional negative impact of 2%-points.

The capital injection enabled SRLEV to further reposition its asset portfolio towards higher returning investments. SRLEV used the market conditions in the first half of the year to invest in € 5 billion of targeted high-quality investment grade and predominantly senior credits with the aim to increase investment income. As spreads tightened significantly in the second half of the year Athora Netherlands reduced the exposure on certain expensive high-quality investment grade credits. Considered throughout the year, the impact of the repositioning of the asset portfolio on the Solvency II ratio was -/- 8%-point.

Capital generation was -/-3%-point, due to the decrease in interest rates, the negative impact of the UFR drag increased.

Market impacts had a limited negative impact of 1%-point on the Solvency II ratio. The decrease in interest rates had a positive impact, however, this was partly offset by the impact of spread and other movements. The VA of 7 bps at the end of 2020 remained stable compared to year-end 2019. In December 2020, SRLEV signed an additional longevity reinsurance transaction which had a 6%-points positive impact on the Solvency II ratio of SRLEV.

The interest rate shock used to calculate the SCR interest rate risk switched from the interest up to the interest down scenario. This resulted in a decrease in diversification benefits when calculating the SCR with a negative impact of 8%-point. This impact is partly offset by the yearly update in insurance parameters (+/+ 5%-point), which was driven by lower population mortality improvement rates as published by the Actuarial Society of the Netherlands (Actuarieel Genootschap).

The decrease in the level of the UFR with 15 bps to 3.75% had a negative impact of 3%-point.

Solvency II Ratio

SRLEV produces all regulatory reports that are mandatory under the Solvency II legislation. These comply to guidance notes on the interpretation of Solvency II as published by the supervisory authorities EIOPA and DNB.

For internal purposes, SRLEV calculates the Solvency II position on a quarterly basis and updates monthly this position in the intervening months. SRLEV calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. SRLEV does not apply the Matching Adjustment. The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end. The yield curve used, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and VA, is published by EIOPA.

EIOPA yearly re-calculates the UFR in accordance with the methodology to derive the UFR. For the euro the calculated target UFR for 2020 is 3.50%. As the UFR for the euro was 3.75% in 2020 and the annual change of the UFR is according to the methodology limited to 15 basis points, the applicable UFR is 3.60% in 2021. That UFR is for the first time applicable for the calculation of the risk-free interest rates of 1 January 2021.

Under Solvency II, capital is called 'eligible own funds' and is divided into three tiers. These tiers reflect the ability to absorb capital losses, with Tier 1 being the highest capital quality (which can be further split in restricted and unrestricted Tier 1 capital) and Tier 3 the lowest. SRLEV does not have 'ancillary own funds' (such as letters of credit and guarantees) which require supervisory approval.

The classification of the hybrid capital of SRLEV (outstanding on 31 December 2020) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

Contingent liabilities - Under Solvency II, SRLEV has not measured the contingent liability relating to unitlinked policies in calculating the own funds as no reliable estimate can be made of the outcome. This is consistent with the measurement under IFRS.

The following table shows the breakdown of the eligible own funds, starting from shareholders' equity:

BREAKDOWN OWN FUNDS		
In € millions	**2020**	**2019[1]**
Shareholders' equity	3,684	3,410
Reconciliation IFRS-Solvency II	-169	-310
Capital Subordinated Loan	-368	-265
Subordinated liabilities	1,170	1,071
Total available own funds	**4,317**	**3,906**
Tiering restriction	-294	-209
Total eligible own funds	**4,023**	**3,697**

1 Figures as filed with the regulator.

The following items result in differences between IFRS shareholders' equity and Solvency II own funds.

Reconciliation IFRS-Solvency II

The reconciliation encompasses the following significant differences in measurement under Solvency II and under IFRS:

- Technical provisions – Under Solvency II the technical provisions (including provisions for saving mortgages) are measured using Solvency II parameters, taking into account current market estimates. Under IFRS a liability adequacy test on the technical provision is performed, if the carrying amount of the technical provision is inadequate, the provision is increased. With respect to economic parameters used, there are differences regarding the interest rate curve and the cost of capital. The difference in the interest rate curves increased and is a main driver for the development of the reconciliation of IFRS and Solvency II. The difference also stems from the difference in cost of capital.
- Deferred Tax Assets – Due to differences in the valuation of assets and liabilities the resulting DTA position is different.
- Reinsurance Recoverable / Technical Provision – In Solvency II the re-insurance recoverable of the longevity reinsurance contract is presented separately on the balance sheet. Under IFRS the reinsurance recoverable is presented under the Technical provision. Mainly due to differences in the effects to the risk margin the impact for IFRS is more negative than Solvency II Eligible Own Funds.

Subordinated Liabilities

Under Solvency II the available own funds include subordinated debt including accrued interest with regard to this debt. The subordinated liabilities are determined based on own credit standing (credit spread determined at pricing date).

Tiering Restriction

The use of own funds of different tiers is subject to certain limits under Solvency II. These limits are related to the required capital or Tier 1 capital, and is applied to define the Eligible Own Funds. These limits cause a difference between the Available Own Funds and the Eligible Own Funds.

For SRLEV the tier 3 restriction remained applicable during 2020. Tier 3 consists of net DTA position restricted to maximum of 15% of SCR. Ineligible own funds increased from € 209 million at year-end 2019 to € 272 million at year-end 2020 due to higher net DTA position.

BREAKDOWN TIERING					
	Tier 1		Tier 2	Tier 3	Total
In € millions	Unrestricted	Restricted			
Eligible own funds to meet the SCR 2020	2,484	469	701	369	**4,023**
Eligible own funds to meet the SCR 2019[1]	2,285	365	706	341	**3,697**

1 Figures as filed with the regulator.

The table below shows the eligible own funds, the Solvency Capital Requirement and the resulting Solvency II ratio.

SOLVENCY II RATIO		
In € millions/percentage	2020	2019
Total eligible own funds	4,023	3,697
SCR	2,463	2,275
Solvency II ratio	163%	163%

Development Solvency Ratio

The development in 2020 of the solvency ratio is explained by the analysis of change as presented in the graphs below. The movement consists of the categories Capital Generation, Capital Effects, Market Impacts, One-time items, Tax and Tiering effects and Miscellaneous Movements.

Capital Generation is defined as the change of eligible own funds caused by (organic) capital generation due to expected asset return, Value New Business, release of Risk Margin and unwinding of the UFR.

In Capital Effects the effects to capital are shown (i.e. coupon payments to subordinated loans, (Restricted) Tier 1 and Tier 2 capital issuances, Tier 1 capital injection).

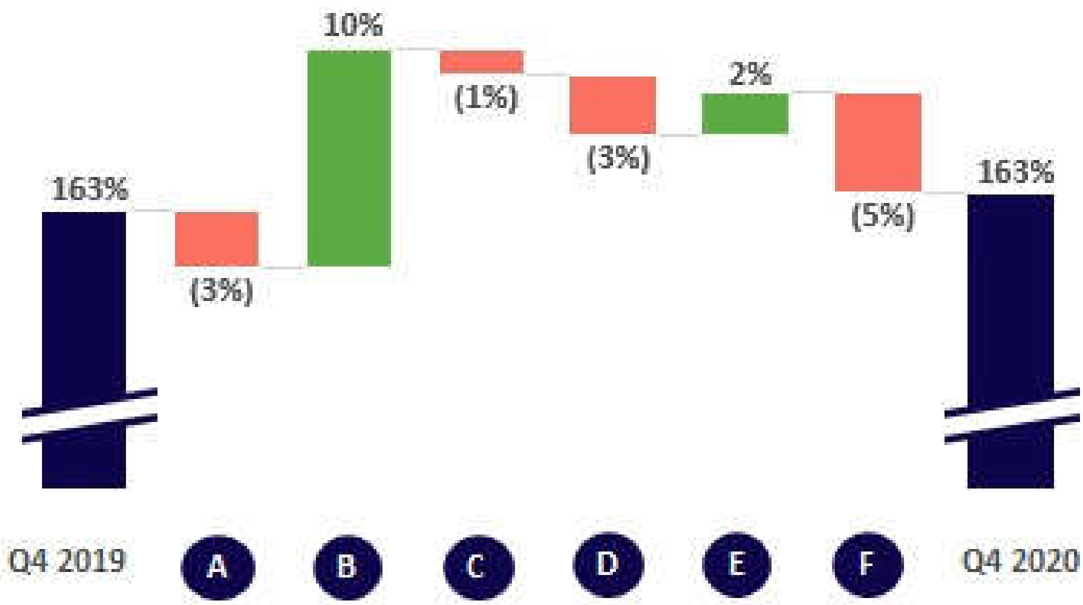
In Market Impacts the impact of economic variance to the asset and liability return is taken into account (e.g. spread and interest rate movement). Next to these movements, also the change caused by the Volatility Adjustment is taken into account.

One-time items show the impact of events like changes in coverage of the longevity reinsurance contract, the UFR decrease, Balance Sheet Management actions like re-risking impact and changes in models.

Changes of Tax and Tiering constitute movement in the DTA/DTL due to movement in the fiscal position, changes in corporate income tax rate and the change in ineligible own funds. Furthermore, the movement in the Loss Absorbing Capacity of Deferred Taxes is taken into account.

Miscellaneous Movements consist mainly of changes in insurance parameters (including expense), insurance results, as well as other business developments. It also contains the regular development (run-off development and new business) of the SCR.

Analysis of Change Solvency Ratio



The Solvency II ratio of SRLEV remained stable at 163% in 2020. The main drivers of this movement are:

A) Capital Generation (-/-3%)

SRLEV is actively steering to improve organic capital generation amongst others by optimising its risk profile and re-risking. Re-risking will also decrease spread volatility by better matching the Volatility Adjustment. The capital generation of -/-3% during 2020 was supported by new business, release of risk margin, and expected accrual of spread, CRA and VA, but it was hampered mainly by the increased UFR unwind impact due to the decrease in interest rates.

B) Capital Effects (+/+10%)

The increase of the Solvency II ratio is due the received € 300 million capital from Athora Netherlands in the form of a € 200 million share premium contribution and a € 100 million Tier 1 loan partly offset by coupon payments on subordinated loans..

C) Market Impacts (-/-1%)

The decrease in Solvency II ratio is mainly explained by the rise in inflation expectations (-/-4%) and the impact of spread movements (-/-4%), partly offset by the decrease in interest rate.

D) One-time Items (-/-3%)

One-off items had a negative impact of 3%-point on the Solvency II ratio, mainly due to Balance Sheet Management initiatives including re-risking (-/-8%). The UFR decrease (-/-3%) from 3.90% to 3.75% decreased the SII ratio further. A new longevity re-insurance contract had an impact of +/+6% on the Solvency II ratio.

SRLEV captured the opportunity of enhanced investment returns at a good risk-return trade-off given the market conditions in the first months of 2020 by investing further into targeted high-quality investment grade and predominantly senior credits in selected sectors (e.g. telecoms, utilities). As spreads tightened later during the year, SRLEV has unwind some of these positions again to lock the returns and to be able to move towards the target SAA. These balance sheet optimization initiatives, further optimizing the investment portfolio, led to an impact on the SII ratio of -/-8%.

E) Tax and Tiering Effects (+/+2%)

Tax and Tiering effects had a postive impact on the Solvency II ratio due to the DTA movement explained by movements in the fiscal position and the Corporate Income Tax-rate (CIT) increase, partly offset by movement in the tiering restriction.

F) Miscellaneous Movements (-/-5%)

SRLEV hedges the Solvency II ratio, as a result (currently) the differences between a leading up or down interest rate risk scenario is very limited. In the Solvency II framework the diversification benefits in a up scenario are more beneficial. In 2020 the leading interest rate scenario switched from up to down. The effect of this movement (-/-8%) is partly offset by the yearly update in insurance parameters (+/+5%). The latter positive effect was driven by lower population mortality improvement rates as published by the Actuarial Society of the Netherlands (Actuarieel Genootschap) and negatively impacted by expense assumptions update.

7.4.7 Risk Profile

SOLVENCY CAPITAL REQUIREMENT		
In € millions	2020	2019
Life underwriting risk	1,378	1,468
Market risk	1,428	1,060
Counterparty default risk	157	206
Diversification	-690	-646
Basic Solvency Capital Requirement	**2,273**	**2,088**
Operational risk	195	187
Loss-absorbing capacity of technical provisions	-5	-
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirement	**2,463**	**2,275**

The main risk profile changes in 2020 for SRLEV relate to higher market risk (higher spread risk due to re-risking, higher interest rate risk due to lower interest rates and lower diversification benefit between equity, property and spread risk due to change of leading interest scenario from up to down) and lower life underwriting risk (lower longevity risk due to a new longevity reinsurance contract).

Changes in the item Diversification is the result of changes in the underlying risk modules. Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

Interest rate shocks can also have an impact on the Loss-absorbing capacity of technical provisions (LAC TP). Article 83 of the Delegated Regulations requires to report this impact separately from the SCR Interest rate scenario. As the LACTP is not applicable in a leading up scenario,the change from a leading up scenario towards a leading down scenario explains the non-zero LAC TP in 2020.

When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the SCR. SRLEV has examined whether, following a loss of the same scale as the (pre-tax) SCR shock, future fiscal profits will be sufficient to be able to recover, partially or fully, the change in deferred tax asset created by that loss. The Loss Absorbing Capacity of Deferred Taxes in the SCR is 0% for SRLEV. The net Deferred Tax Asset on the balance sheet of SRLEV as at 31 December 2020 is valued at 100% under IFRS and Solvency II.

The risk categories and the way in which they are managed, will be explained in more detail in the next paragraphs. To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock.

For the other market risks, the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risks after shock. The impact of interest rate sensitivity on SCR counterparty default risk has been taken into account.

7.5 UNDERWRITING RISK

7.5.1 Risks - General

The underwriting risk is the risk that the own funds, earnings or solvency will be threatened as a result of the inability to make payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, longevity, disability, claims, policy holders' behaviour, catastrophes, interest and expenses) used in the development of the product and the determination of its premium. A distinction is made between Life (including Pensions) and Disability. The interest rate risk related to insurance products forms part of the market risk.

7.5.2 Life

7.5.2.1 Risk Categories

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, lapse risk, catastrophe risk and expense risk. It can also include disability and recovery risk to a limited degree. SRLEV is also exposed to interest rate risk in the context of guarantees for both IFRS and Solvency II.

Mortality Risk and Longevity Risk

The risk most typically associated with Life insurance policies is mortality and longevity risk. These risks mainly affect the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the company of the policyholder dying earlier than expected. In the case of a life benefit, the mortality risk for SRLEV is that the policyholder lives longer than expected (longevity risk). The financial impact of the difference between the date the policyholder is expected to die and the actual date of death can be substantial, particularly in the case of longevity risk.

To forecast the survival probabilities of the entire population, SRLEV uses the model published by the Netherlands Actuarial Association (Projection table AG2020) which combines mortality rates of several European countries with those of The Netherlands. The probabilities are reviewed at least once a year and updated if necessary to include the most recent observations. Once a year SRLEV also reviews and if required updates the empirical figures for portfolio mortality on the basis of research into observed mortality within the Life portfolio.

Disability-morbidity Risk

Other underwriting risks that affect the Life insurance portfolio is the risk of being (partly) incapacitated for work for a period or on a permanent basis. The financial impact is mostly dependent on the age, the sum insured and the disability percentage of the policy holder.

Lapse Risk

Other underwriting risks that affect the Life insurance portfolio are risks associated with policyholders' behaviour, such as early surrender (the policyholder terminates the policy before the maturity date) or conversion to a paid-up status (the policyholder terminates the regular premium payment before the maturity date).

Life Expense Risk

SRLEV runs expense risk if actual costs turn out to be higher than the amounts received from the cost loadings included in the pricing calculation. This relates to changes in the level, trend or volatility of the costs related to the fulfilment of insurance or reinsurance contracts.

SRLEV uses a 'moderate going concern' assumption in its models. This means that it takes into account portfolios that decline in size owing to growth from new policies failing to keep pace with the expiry of existing policies. As a result, it will be harder to spread fixed costs over a declining total number of policies. This assumption is reflected in the projection parameters for the technical provision.

Revision Risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Life Catastrophe Risk

With respect to Life insurance, in the event of a catastrophe the risks will be concentrated primarily in the group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risk. Such concentrations of risks have been partly offset through the use of reinsurance.

Interest Rate Guarantee Risk

In the case of traditional insurance policies, SRLEV bears the interest rate risk on the investments that are held to cover the obligations to policyholders. When a benefit or annuity payment is due, SRLEV pays the policy holder a predetermined nominal amount. In contrast, SRLEV does not run any direct interest rate risk on pure unit-linked contracts. However, SRLEV has issued interest rate guarantees for some unit-linked insurance policies, as a result of which it is exposed to an indirect interest rate risk in respect of products of this type. A guaranteed minimum return on maturity applies in the case of unit-linked investment policies with an interest rate guarantee.

In the case of Group insurance policies with separate accounts, it is the policyholder that, in principle, bears the direct market risk. The policyholder is the institution that concluded the contract to insure the pension commitments for its employees with SRLEV. SRLEV guarantees the payment of the insured pension rights. The value of the investments has to be at least sufficient to cover the provision for accrued pension rights that are guaranteed. Additional measures may also have been agreed contractually to compensate for investment losses up to a certain amount (e.g. the creation of an additional provision/buffer in the investment account). SRLEV is entitled to reduce the market risk if the additional provisions/buffers are insufficient. If the value of the investments (including any contractually agreed additional measures) turns out to be insufficient, the remaining deficit is for the risk of SRLEV.

The following table indicates which risks are associated with specific products for the Life insurance portfolio of SRLEV.

PRODUCTS IN THE LIFE INSURANCE PORTFOLIO (SOLVENCY II)								
	Product features		Risks per product					
Product	Guarantee	Profit-Sharing	Mortality	Longevity	Cata-strophe	Lapse	Expense	Disability
Savings-based mortgage	Mortgage interest		√		√	√	√	
Life annuity	Regular payment			√			√	
Term insurance	Insured capital	1	√		√	√	√	
Traditional savings	Insured capital	√	√	√	√	√	√	
Funeral insurance	Insured capital	√	√	√	√	√	√	
Individual insurance policies in investment units	2		√	√	√	√	√	
Group insurance policies in cash	Regular payment / Insured capital	√	√	√	√	√	√	√
Group insurance policies in investment units			√	√	√	√	√	√
Group insurance policies with separate accounts	Regular payment / Insured capital[3]	√		√	√	√	√	√

1 Partly company profit-sharing
2 In some insurance guaranteed minimum yield applies at maturity
3 End of contract date contract contributory is not mandatory

7.5.2.2 Life Insurance Portfolio

The Life insurance portfolio contains individual (Individual Life) and Group insurance (Life Corporate) policies.

Individual policies are sold as policies with a fixed sum insured and policies with a benefit in units (unit-linked and universal life insurance). The traditional products were sold without or with profit sharing. The unit linked policies are without or with guarantees.

The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings mortgage policies, endowments and other savings policies, term life policies, funeral policies and Life annuity insurance policies providing regular payments for a fixed period or for the remainder of the holder's life.

The Life Corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit linked and universal life) and separate accounts, where the investment risk is borne by the customer. The separate accounts have an interest guarantee whereby at the current low interest rates this option has value for the customer.

The total portfolio is spread over policies with mortality risk and policies with longevity risk.

SRLEV has individual Life insurance policies and annuities in the retail and SME markets in the Netherlands. SRLEV's Life corporate insurance portfolio focuses on the pension market in the Netherlands.

The next table provides an overview of the product portfolio.

SCOPE OF VARIOUS INSURANCE CATEGORIES						
	Gross premium income		Sum insured		Technical provision for insurance contracts[1]	
In € millions	2020	2019	2020	2019	2020	2019
Traditional insurance policies	511	580	62,855	65,001	9,442	10,155
Individual insurance policies in investment units	158	182	72,078	75,660	4,045	4,395
Total Individual Life	**669**	**762**	**134,933**	**140,661**	**13,487**	**14,550**
Traditional insurance policies	362	288	2,013	2,170	3,604	3,478
Group insurance policies	217	251	11,722	17,906	12,720	12,646
Group insurance policies in investment units	514	547	43,331	45,700	10,145	9,528
Total Life Corporate	**1,093**	**1,086**	**57,066**	**65,776**	**26,469**	**25,652**
Total	**1,762**	**1,848**	**191,999**	**206,437**	**39,956**	**40,202**

1 The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives, Profit-sharing and LAT deficit.

BREAKDOWN OF VARIOUS INSURANCE POLICIES						
	Gross premium income		Sum insured		Technical provision for insurance contracts[1]	
In € millions	2020	2019	2020	2019	2020	2019
Term insurance	158	181	60,051	66,446	603	600
Pure endowment	14	26	2,044	2,134	1,421	1,441
Endowment	337	379	13,001	14,985	7,506	8,176
Funeral insurance	18	20	1,481	1,499	820	811
Deferred annuities and survivor annuities	173	177	13	13	7,421	7,464
Annuity payments	367	314	0	-	7,876	7,668
Supplementary coverage	23	22	0	-	119	119
Traditional insurance policies	**1,090**	**1,119**	**76,590**	**85,077**	**25,766**	**26,279**
Individual insurance policies in investment units	157	181	72,078	75,659	4,045	4,395
Group pure endowments	442	468	6,200	6,947	6,294	7,060
Group endowments	8	2	2,247	1,174	1,596	439
Group deferred annuities and survivor annuities	13	18	0	-	1,605	1,396
Group annuity payments	2	6	0	-	537	553
Other group insurance policies	50	54	34,884	37,580	113	80
Insurance policies in investment units	**672**	**729**	**115,409**	**121,360**	**14,190**	**13,923**
Total	**1,762**	**1,848**	**191,999**	**206,437**	**39,956**	**40,202**

1 The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives, Profit-sharing and LAT deficit.

Co-insurance Life

SRLEV has concluded a number of co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the case of co-insurance, each co-insurer is liable for its own part of the insurance. Every year, the leader of the contract draws up a report that SRLEV uses to monitor the development of the portfolio and determine the provisions.

7.5.2.3 Life Reinsurance

The insurance business has a largely integrated reinsurance programme for the life portfolio. The catastrophe reinsurance contract for life was concluded as an umbrella cover for the different sub portfolios together, with a cover from € 15 million up to € 90 million. For 2020 this catastrophe reinsurance cover has been split into two separate reinsurance covers for the different legal entities for life. This concerns a life catastrophe reinsurance cover for SRLEV NV and Proteq Levensverzekeringen NV, which still amounts from € 15 million up to € 90 million. Besides this catastrophe reinsurance cover, the individual disability risks remain reinsured through a surplus reinsurance with a retention of € 1.5 million sum at risk per insured.

As per year end 2018 SRLEV transferred part of the longevity risk through a full indemnity-based Quota Share reinsurance treaty. To further mitigate the longevity risk, SRLEV has concluded an additional longevity risk transfer on a different part of the group life portfolio. These risks are also transferred through a full indemnity-based quota share reinsurance treaty. The impact has been reflected in the 2020 SCR calculations.

7.5.2.4 SCR Life Risk

The table below shows the SCR of the underwriting risk Life. In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

SCR LIFE UNDERWRITING RISK		
In € millions	**2020**	**2019**
Mortality risk	261	232
Longevity risk	789	939
Disability-morbidity risk	17	18
Lapse risk	255	325
Life expense risk	654	591
Revision risk	-	-
Life catastrophe risk	234	214
Diversification	-832	-851
SCR Life underwriting risk	**1,378**	**1,468**

The SCR for life underwriting risk decreased mainly due to a decrease of the longevity risk due to a new longevity reinsurance contract and a decrease of lapse risk due to the application of an interest rate curve more in line with the interest rate curve to be used for surrender values as included in the contracts. These decreases are partly offset by increases of life expense risk due to the rise of inflation expectations and of mortality risk and life catastrophe risk due to lower interest rates.

Mortality risk

The capital requirement for life mortality risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 15% in the mortality rates used for the calculation of the technical provisions. The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Longevity Risk

The capital requirement for life longevity risk is equal to the loss in basic own funds resulting from an instantaneous permanent decrease of 20% in the mortality rates used for the calculation of the technical provisions. The conditions for the calculation are exactly the same as those specified in relation to life mortality risk, although in this case it concerns an increase in the best estimate provision in the event of a falling mortality rate. The groups whom this concerns will generally be those that are not affected by the life mortality risk.

Disability-morbidity risk

The capital requirement for disability-morbidity risk is equal to the loss in basic own funds resulting from the following combination of instantaneous permanent changes:

- an increase of 35% in the disability rates which are used in the calculation of technical provisions in the following 12 months;
- an increase of 25% in the disability rates which are used in the calculation of technical provisions in all months thereafter;
- a decrease of 20% in the rehabilitation rates for the calculation of the technical provision for all years.

The shock on disability applies to both the first year as well as risk after the first year and has impact on the Life portfolio.

Lapse risk

The capital requirement for life lapse risk is equal to the largest of the following capital requirements:

- The capital requirement for the risk of a permanent increase in lapse rates. This is equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 50%.
- The capital requirement for the risk of a permanent decrease in lapse rates. This is equal to the loss in basic own funds of insurers and re-insurers that would result from an instantaneous permanent decrease of 50%.
- The capital requirement for mass lapse risk. This is equal to the loss in basic own funds that would result from a discontinuance of 40% of the policies.

At year end 2020, the risk of decrease in lapse rate is leading for SRLEV. At year end 2019, the mass lapse risk was leading.

Life expense risk

The capital requirement for life-expense risk is equal to the loss in basic own funds that would result from the following combination of instantaneous changes:

- an increase of 10% in the amount of expenses taken into account in the calculation of the technical provisions;
- an increase of 1 percentage point in the cost-push inflation rate (expressed as a percentage) used for the calculation of the technical provision.

The above shock is applied to all SRLEV’s continuing operating expenses. Only the 10% increase is applied on the management fee of the investment portfolio, because these expenses are not sensitive to inflation.

Revision risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Life catastrophe risk

The capital requirement for life catastrophe risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 0.15 percentage points to the mortality rates in the following twelve months.

The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Sensitivities

The value of the Life insurance portfolio is sensitive to changes in the underwriting parameters used for calculating the market value of liabilities. In order to obtain information on these sensitivities, the effects of changes in mortality rates, surrender rates (including conversions to non-contributory policies) and expense assumptions, including inflation, are calculated separately. The most material items have been disclosed.

The key sensitivities of IFRS equity and the Solvency II ratio to changes in the underwriting parameters are the sensitivities to longevity risk and expenses. Due to the long term nature of the Life insurance portfolio these sensitivities are sensitive for interest rate movements.

The Solvency II ratio sensitivities for underwriting parameters are based on the estimated impact on own funds without recalculating the SCR after shock.

SENSITIVITY AS A RESULT OF CHANGES IN UNDERWRITING PARAMETERS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
10% increase in surrender rates (including non-contributory continuation)	21	17	21	17	1%	2%
10% lower mortality rates for all policies (longevity risk)	-144	-223	-144	-223	-7%	-12%
10% increase in expenses assumptions + 1% increase in inflation	-491	-462	-491	-462	-27%	-26%

For SRLEV, the sensitivity for longevity risk on Solvency II ratio decreased due to the new longevity reinsurance contract partly offset by lower interest rates. The expense sensitivity increased due to rise of inflation expectations.

7.6 MARKET RISK

7.6.1 Risks - General

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of the insurance business. Unfavourable changes in market conditions have an impact on SRLEV's earnings and/or own funds. To manage the mismatch between the assets and liabilities an ALM (Asset and Liability Management)-framework is in place. This framework is designed to bring about an investment strategy that optimises the relationship between risks and returns. The framework also ensures that SRLEV's operations remain within the boundaries of its risk appetite.

The market risk is the risk arising from changes in the level or volatility of market prices of financial instruments which have an impact of the value of the assets and liabilities of SRLEV. The ALM-framework aims to properly reflect the structural mismatch between assets and liabilities, with respect to the duration thereof.

The following eight sub-market risks have been defined: interest rate risk (including inflation risk), equity risk, property risk, spread risk, basis risk, market risk concentrations, currency risk and volatility risk. SRLEV can achieve its financial objectives by managing these risks adequately.It does this by reducing losses due to movements in the level and/or volatility of market prices of financial assets, liabilities and financial instruments.

Compared to Solvency II (standard model) market risk classification, SRLEV recognises two additional market risks, namely volatility risk and basis risk.

7.6.2 SCR Market Risk

Exposure to market risk is measured under the Solvency II regime using adverse movements in financial variables. The main driver of market risk is the Solvency Capital Requirement for spread risk and to lesser extent the Solvency Capital Requirements for equity and interest rate risk.

The relevant types of market risk in Solvency II are displayed in the table below:

SCR MARKET RISK		
In € millions	2020	2019
Interest rate risk	419	323
Equity risk	237	292
Property risk	151	126
Spread risk	843	645
Concentration risk	-	-
Currency risk	86	103
Diversification	-308	-429
SCR market risk	**1,428**	**1,060**

The SCR market risk increased due to higher spread risk due to re-risking, higher interest rate risk due to lower interest rates and lower diversification benefit between equity, property and spread risk due to change of leading interest scenario from up to down.

7.6.2.1 Interest Rate Risk

Interest rate risk is a key component of SRLEV's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not equal and it is expressed as movements in the capital position if market rates change.

Nominal Insurance Liabilities by buckets

The tables below present nominal cash flows arising from insurance liabilities, net of reinsurance (liabilities) by maturity segment.

CASH FLOWS FROM INSURANCE BUSINESS 2020							
In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	1,352	4,913	5,836	5,182	4,387	13,160	34,830
Total	**1,352**	**4,913**	**5,836**	**5,182**	**4,387**	**13,160**	**34,830**

CASH FLOWS FROM INSURANCE BUSINESS 2019							
In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	1,261	4,619	5,667	5,107	4,416	13,509	34,579
Total	**1,261**	**4,619**	**5,667**	**5,107**	**4,416**	**13,509**	**34,579**

The table excludes the portfolio on account of policyholders. The portfolio on account of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are offset. The cash flows from the underwriting provisions concern cash flows with a nominal guarantee. This does not include cash flows driven by options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing.

Solvency Capital Requirement

The capital requirement for interest rate risk is determined on the basis of two scenarios in which the risk free yield curve is exposed to shocks affecting both assets and liabilities. The first scenario is 'interest rate up' and the second 'interest rate down'. The capital requirement for interest rate risk is defined by the scenario which has the most negative impact on basic own funds. The sign of the SCR interest rate shock (up or down) has to be determined based on the net (including LAC-TP) SCR interest rate risk in accordance with SII legislation. However, the gross (excluding LAC-TP) SCR interest rate risk determines the size of SCR interest rate risk.

The interest rate scenario used for the up and down Solvency II shocks are prescribed; being in effect a parallel up shock of 100 bps and a non-parallel down shock increasing from 0 to minus 64 bps, both without re-applying the UFR. For SRLEV the up shock is leading.

SCR INTEREST RATE RISK

In € millions	2020	2019
SCR interest up shock	-195	-323
SCR interest down shock	-419	-202
SCR interest rate risk	**419**	**323**

The interest rate risk increased mainly due to decreases in interest rates and UFR.

Sensitivities

SRLEV uses a scenario based approach to control the sensitivity of solvency to market conditions, such as interest rates and spreads. The key solvency metric to express the risk is based on the regulatory solvency reported to the Dutch Central Bank (DNB). This method is chosen because SRLEV has decided to use regulatory solvency as the principle factor in managing market risks.

From this perspective also the, over 2020 prescribed UFR of 3.75% by EIOPA introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year with a starting point of 4.2%, per 1 January 2021 the applicable UFR will decrease to 3.60%. This will have a negative impact on solvency.

The table below shows the sensitivity of the IFRS result, IFRS equity and Solvency II ratio to changes in interest rates as a result of a decrease or an increase by 0.5% of the interest rates (maintaining the UFR at 3.75%), decreases in the UFR of 0.15% and 0.50% and the impact of the VA on the Solvency II ratio.

Under IFRS the impact of different UFR is slightly different than under Solvency II due to tiering and the VA (not applicable under IFRS).

SENSITIVITY						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Interest +50 bps	-180	-237	-180	-237	-2%	-3%
Interest -50 bps	198	288	198	288	5%	4%
UFR -15 bps	-83	-74	-83	-74	-5%	-4%
UFR -50 bps	-280	-251	-280	-251	-16%	-16%
Excluding VA	-	-	-	-	-16%	-14%

Due to the long term nature of the Life and Pension insurance portfolio the Solvency II-ratio is very sensitive to interest rate movements. This sensitivity is mitigated by the use of long term assets and, additionally, interest rate derivatives to hedge the insurance cash flows including those for guarantees and profit-sharing in the life insurance portfolio, so that the exposure is within pre-defined risk appetite levels.

SRLEV's interest rate hedging policy aims to ensure that obligations towards policyholders are fulfilled in both the short term and the long term. In addition, it aims to enable its providers of capital to receive a reasonable return (in terms of market value) that is in line with SRLEV's risk exposure and to stabilize the solvency capital. SRLEV manages its interest rate risk by stabilizing the Solvency II ratio after an up or down interest rate shock, taking the UFR of 3.75% into account.

The SII sensitivities increased due to the decrease of interest rates. The sensitivities for UFR increased due to the decrease of UFR.

7.6.2.2 Equity Risk

The SCR for equity risk is equal to the loss in market value of the basic own funds in the event of a sudden shock to equities including a so-called symmetric adjustment. This adjustment corrects the equity shock for the difference between the current level of global equity prices and a long-term average and can vary between a minus 10% adjustment and a plus 10% adjustment.

SCR for equity risk consists of type 1 and type 2 equities. Type 1 equities are equities listed in regulated markets which are members of the EEA or OECD. Type 2 equities are equities listed in countries other than members of the EEA and/or OECD, non-listed equities, private equities, hedge funds, commodities and other alternative investments. The equities classification also includes participations in funds that invest in other types of securities like money market funds and other (non-investment grade) fixed income funds. The shocks without symmetric adjustment are 39% for type 1 and 49% for type 2 equities. The shock for participations hold in related undertakings of strategic nature is 22% independent of equity type 1 or 2.

The SCR for equity risk is defined as the aggregation of the capital requirement for type 1 equities and the capital requirement for type 2 equities, allowing a correlation of 0.75 between types 1 and 2.

A transitional arrangement can be applied to type 1 equities in order to reduce the standard capital charge. SRLEV does not apply this transitional arrangement.

The table below shows the SCR for equity risk.

SCR EQUITY RISK		
In € millions	**2020**	**2019**
Type 1 equities	154	186
Type 2 equities	98	125
Diversification	-15	-19
Equity risk	**237**	**292**

The equity risk for SRLEV decreased mainly due to the reallocation to other risks and to the decrease of the symmetric adjustment from -0.08% to -0.48%.

The IFRS-based equities classification includes participations in funds that invest in other types of securities like money market funds and other (non-investment grade) fixed income funds. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS for a more economic approach ('look through'), including the impact of the shock on the liabilities. SRLEV periodically examines the impact of changes in the equity markets on the result and on own funds. Scenario analysis is used for this purpose.

The table below shows the results of this analysis at the reporting date net of taxes. Upward effects on equity are processed in the revaluation reserve and do not impact earnings. A downward effect on equity does impact the net result in case of an impairment (for the accounting policies on impairments see Section 6.1.5 in the Annual Report for Accounting policies regarding the statement of financial position).

SENSITIVITY						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Equities +10%	27	39	44	56	1.2%	1.8%
Equities -10%	-46	-47	-44	-56	-1.4%	-1.8%

7.6.2.3 Property Risk

Property risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the market prices of real estate.

The SCR for property risk is equal to the loss in the basic own funds that would result from an instantaneous decrease of 25% in the value of property. Property consists of direct property (e.g. buildings and investments in owner-occupied properties) and indirect interests in property (through investment funds). SRLEV applies the look-through approach in determining the SCR for property risk also taking the effect of any leverage on the Net Asset Value of property funds into account.

The table below shows the SCR for property risk:

SCR PROPERTY RISK		
In € millions	2020	2019
Property risk SRLEV	151	126

Property risk mainly increased due to revaluations.

The IFRS-based equities classification includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II based on an economic approach ("look through"). SRLEV periodically examines the potential impact of changes in the property markets on the net result and on shareholders' equity based on scenario analysis in line with the situation applying in the case of interest rate risk. The table below shows the indicative results of this analysis at the reporting date net of taxation.

SENSITIVITY						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Property +10%	44	36	44	39	1.9%	1.9%
Property -10%	-44	-39	-44	-39	-1.8%	-2.0%

7.6.2.4 Spread Risk

Spread risk is defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of the credit spread above the risk-free interest rate term structure. The spread risk for the insurance business arises in the fixed-income investment portfolio, which includes securitisations, loans, corporate and government bonds that are sensitive to changes in credit risk surcharges. Increasing credit risk surcharges have a negative effect on the market value of underlying bonds.

The SCR for spread risk is determined by calculating the impact on the eligible own funds due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, loans and structured products. The capital requirement takes into account the market value, the modified duration and the credit quality category.

SCR SPREAD RISK		
In € millions	2020	2019
Bonds and loans	819	599
Securitisation positions	24	46
Spread risk	**843**	**645**

Spread risk increased due to re-risking. SRLEV has captured the opportunity of enhanced investment returns at a good risk-return trade-off given the market conditions in the first months of 2020, by investing further into targeted high-quality investment grade and predominantly senior credits in selected sectors (e.g. telecoms, utilities). As spreads tightened during the year, SRLEV has reduced some of the exposure to credits in the second half of 2020. These balance sheet optimisation initiatives optimise the investment portfolio further.

SRLEV defines basis risk as the risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The basis risk relates to the risk of a mismatch between the interest rate used in the valuation of the liabilities and the interest rate used for the asset portfolio. This basis risk mainly emanates from the risk that movements in the interest rate on the EU government bonds held in portfolio will not be in line with movements in the swap rate.

The swap curve (including UFR) is currently used when discounting insurance liabilities under IFRS. A change in the swap curve has a direct impact on the value of the insurance liabilities. This leads to volatility in the available capital, as the interest rate used for the valuation of the investment portfolio differs from the relevant swap curve for the insurance liabilities.

Under the Solvency II regime the swap curve with a prescribed Ultimate Forward Rate (UFR) is used when discounting insurance liabilities, adjusted for credit risk (CRA) and a Volatility Adjustment (VA). The VA moves along with the credit spreads, but still substantial basis risk exists because the VA is based on a reference portfolio instead of SRLEV's own asset portfolio, and also a 65% scaling factor is applied to determine the VA. For managing market risks a number of combined scenarios is determined with (different) simultaneous shocks to risk categories. In this scenario based approach among others credit spreads, volatility (interest rate volatility and equity volatility) and best estimates for the VA are taken into account.

While interest rate risk regarding the Solvency II ratio sheet is well matched, there remains significant volatility as the credit risk profile of SRLEV differs from the profile implied by the Volatility Adjustment (VA). In 2020, as part of re-risking programme, SRLEV invested further in high-quality investment grade and predominantly senior credits in selected sectors (e.g. telecoms, utilities). The basis risk is still material, in case of lower spreads for high quality bonds (e.g. German and Dutch) and higher spreads for riskier bonds, the Solvency II Ratio in general increases.

Under Solvency II an increase of credit spreads also leads to an increase of the Volatility Adjustment impacting the value of the liabilities. SRLEV assumes that an increase of all credit spreads of 50 bps leads to an increase of the VA of 23 bps, an increase of 50 bps on corporates to an increase of the VA of 13 bps and an increase of 50 bps on government bonds to an increase of the VA of 10 bps. The change of the VA has no impact on the value of the liabilities under IFRS.

SENSITIVITY						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio[1]	
In € millions	2020	2019	2020	2019	2020	2019
Credit spreads Government Bonds +50 bps	-257	-499	-257	-499	8%	-7%
Credit spreads Corporates/Mortgages +50 bps	-223	-140	-223	-140	17%	18%
All Credit spreads +50 bps	-480	-640	-480	-640	24%	10%

1 An increase of credit spreads also leads to an increase of VA, impacting the value of the liabilities.

The sensitivity of government bonds increased mainly due to the reduction of the sovereign exposure. The sensitivity of corporates bond and mortgage portfolio increased mainly due to re-risking from sovereigns into credits.

7.6.2.5 Concentration Risk

Concentration risk is defined as all risk exposures associated with a potential loss that is significant to endanger the solvency or financial position of insurance and reinsurance undertakings.

A concentration risk charge is prescribed under Solvency II when the issuer exposure exceeds a certain percentage threshold of the asset base depending on the credit rating of the issuer and the type of investment. The SCR for concentration risk is calculated on the basis of single name exposure. This means that undertakings which belong to the same corporate Group are treated as a single name exposure.

SRLEV still holds substantial investments in German and Dutch government bonds and supranational issuers which are excluded from (the Solvency II scope of) concentration risk. As of 31 December 2020, the applicable Solvency II thresholds have not been exceeded and as a result no concentration risk charge was applicable to SRLEV.

7.6.2.6 Currency Risk

Currency risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of exchange rates. The currency risk of SRLEV is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to fixed-income investments, SRLEV's policy is to permit only very limited currency risk. Given this, the currency risk on fixed-income investments denominated in foreign currency is, in principle, hedged with currency swaps.

Currency risk also arises in relation to the equity investments of SRLEV. This currency risk, after netting the currency risk in other non-fixed-income investments and liabilities, is structurally hedged using forward currency contracts or currency swaps if the net exposure without applying look through principle exceeds € 10 million. A currency hedge bandwidth of 98-102% has been agreed for external mandates, within which operations may be carried out.

The effects of changes in foreign exchange markets on the net result, own funds and solvency are measured periodically using scenario analysis. The Solvency II currency exposure is determined using the look through principle regarding investment funds. This results in slightly higher currency exposure.

The table below provides an indication of SRLEV's foreign exchange exposure excluding loans.

CURRENCY EXPOSURE EXCLUDING LOANS (NET EXPOSURE)				
	Balance		Hedge derivatives	
In € millions	**2020**	**2019**	**2020**	**2019**
US dollar	2,557	3,144	-2,490	-3,029
Pound Sterling	109	140	-108	-154
Swiss franc	-	102	-	-102
Japanese yen	712	408	-712	-409
Australian dollar	-2	-3	-	-
Total	**3,375**	**3,791**	**-3,310**	**-3,694**

The table below provides an indication of SRLEV's foreign exposure on subordinated loans (nominal value).

CURRENCY EXPOSURE LOANS (NET EXPOSURE)				
	Nominal balance		Hedge derivatives	
In € millions	**2020**	**2019**	**2020**	**2019**
US Dollar	133	133	-133	-133
Swiss Franc	-97	-97	97	97
Total	**37**	**37**	**-37**	**-37**

The SCR for currency risk is equal to the loss in the basic own funds that would result from an instantaneous change in the value of the foreign currency against the local currency. For each foreign currency this involves taking the maximum of the impact on the basic own funds of a 25% increase or 25% decrease in the value of the currency. The total SCR for currency risk is then obtained by the sum of the 'individual' currencies.

SCR CURRENCY RISK		
In € millions	**2020**	**2019**
Currency risk SRLEV	86	103

The currency risk partly originates from a sub-loan in foreign currency who is hedged economically, but is not taken into account in the Standard Formula.

7.6.2.7 Volatility Risk

The volatility risk is the risk of losses due to changes in volatility (parameters) and is measured and presented separately. It is addressed in the market sub risks as described before. SRLEV is sensitive to volatility on both sides of the balance sheet. Embedded options on the liability side and swaptions as hedges on the asset side. Because of the hedges, the residual volatility risk is not material.

7.6.2.8 Diversification

Not all risks will materialise at the same time and at their full magnitude, resulting in diversification between different risk types. Solvency II prescribes a correlation matrix for the diversification effect in the SCR Market Risk module in order to aggregate the results of the types of market risks. This leads to a lower amount of total Market Risk compared to the sum of the individual market risk types. Solvency II furthermore prescribes that a downward SCR interest rate shock will be more correlated with an equity, spread and property shock compared to an upward interest rate shock.

In 2020, the bitting interest rate scenario switched from a bitting up scenario to a bitting down scenario, leading to less diversification benefits.

7.7 COUNTERPARTY DEFAULT RISK

7.7.1 Risks - General

SRLEV defines counterparty default risk as the risk of potential losses due to unexpected payment defaults of the counterparties and debtors of SRLEV within the next twelve months.

The SCR Counterparty Default Risk covers risk-mitigating contracts such as reinsurance arrangements, derivatives, security lending and repos, and cash at bank, retail mortgages and receivables from intermediaries, as well as any other credit exposures not covered by the SCR Spread Risk.

For each counterparty, the overall credit default risk exposure of SRLEV to that counterparty is measured, irrespective of the legal form of its contractual obligations. Its calculation also takes into account collateral or other security held by or for the account of SRLEV and the risks associated therewith.

Fixed-income Investment Portfolio

The counterparty default risk within the fixed-income investment portfolios of SRLEV is the risk that an issuer of a bond or a debtor of a private loan does no longer meet its obligations. The strategic allocation to the various investment grade categories within the fixed-income portfolio is determined in the context of ALM and laid down in mandates with the asset managers.

Derivatives Exposure

The counterparty default risk related to the market value of the derivatives held by SRLEV with a counterparty is managed by means of a Credit Support Annex (CSA) agreement in accordance with standard industry practice. These agreements stipulate that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the counterparty default risk.

Reinsurance

SRLEV pursues an active policy with respect to the placement of reinsurance contracts, using a panel consisting of reinsurers with solid ratings. Our panel of reinsurers consists of partners who are involved for many years and are distinguished companies. Long term relationships with the reinsurers are important in order to maintain stability, continuity and understanding of the underlying underwriting portfolio. All reinsurers have a minimum credit rating of A.

Mortgage Portfolio

SRLEV is exposed to counterparty default risk on its mortgage portfolio by possible default of mortgagors. The counterparty default risk is, however, mitigated by properties held as collateral. Part of this portfolio is guaranteed by the National Mortgage Guarantee Fund (NHG). The average Loan to Value ratio has improved due to amortisation of the outstanding mortgage balance and an increase in Dutch housing prices in 2014-2020.

OVERVIEW MORTGAGES		
In € millions[1]	2020	2019
Mortgages < 75% of foreclosure value	2,061	1,256
Mortgages 75% < > 100% of foreclosure value	799	479
Mortgages > 100% of foreclosure value	144	40
Mortgages with National Mortgage Guarantee	970	844
Residential property in the Netherlands	3,974	2,619
Fair value adjustment	-	157
Total residential property in the Netherlands	**3,974**	**2,776**

1 Mortgages are recognised in the statement of financial position under investments in loans and receivables.

The market value of the portfolio increased mainly by adding € 0.9 billion exposure to mortgages as part of the re-risking strategy.

Saving Mortgages

SRLEV holds various saving mortgages insurance policies, financed both internally and externally. The majority of the portfolio represents savings mortgages with cession/retrocession arrangements and pledged collateral for which no spread is included in the market valuation and no SCR counterparty default risk (CDR) is calculated. The risk for savings mortgages with cession/retrocession arrangements and pledged collateral is nihil due to the netting of the received collateral included in the arrangements with the third parties with the liabilities.

In 2020, the Dutch Association for Insurers (‘Verbond van Verzekeraars’) including representatives of large insurance groups including SRLEV, continued the discussions with DNB regarding the valuation of savings mortgages and treatment in the SCR. On 19 October 2020, DNB published a draft consultation document and Q&A on this subject and requested interested parties to respond by 1 December 2020. The interpretation of DNB included in this document seems to differ from the current methodology applied by Athora Netherlands for valuation of these mortgages and treatment in SCR, but is far from clear.

The Dutch Association for Insurers has submitted a response to DNB on 1 December 2020 in which multiple unclarities, concerns and remarks are included. Furthermore, the Dutch Association for Insurers, together with a legal advisor, has submitted a legal opinion on this topic to DNB in December 2020.

The Dutch Association of Insures informed us that DNB still expects to publish the final Q&A and/or Good Practice in Q2 2021, after the deadline of submission of the 2020 QRT’s. As the current consultation document and Q&A contains too many unclarities, no conclusions can be reached at the moment and potential impact cannot be reliably estimated.

7.7.2 SCR Counterparty Default Risk

The counterparty default risk module reflects the possible loss as a consequence of defaults and deterioration in the credit standing of counterparties over a 12-month period. The SCR for the counterparty default risk is determined by aggregating the capital requirements of type 1 and type 2 exposures.

Type 1 exposures are exposures that have low diversification effects and for which the counterparty is likely to have an external rating. Solvency II treats the following as type 1 exposures:

- risk-mitigation contracts, including reinsurance arrangements, special purpose vehicles (SPVs), insurance securitisations and derivatives;
- cash at bank;
- deposits with ceding undertakings;

- commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid;
- legally binding commitments which the insurer has provided or arranged and which may create payment obligations depending on the credit standing of a counterparty.

The capital requirement for counterparty default risk on type 1 exposures depends on the loss-given-default (LGD) and the probability of default (PD) of every single name exposure. The PD depends on the creditworthiness of the single name exposure.

Type 2 exposures consist of all exposures to which the capital requirement for spread risk is not applicable and which are not of type 1. In general, these are diversified exposures which do not have an external rating. Solvency II explicitly mentions the following exposures in the context of type 2:
- receivables from intermediaries;
- policyholder debtors;
- mortgage loans which meet a set of requirements.

The capital requirement for counterparty default risk on type 2 exposures as defined by EIOPA is equal to the sum of 90% of the LGD of receivables from intermediaries due for more than three months and 15% of the LGD of other type 2 exposures.

The SCR for counterparty default risk is determined by aggregating the capital requirements for type 1 and type 2 exposures with a correlation of 0.75 between types 1 and 2. This gives rise to diversification between type 1 and type 2 capital requirements because not all risks will materialise at the same time and at their full magnitude.

COUNTERPARTY DEFAULT RISK		
In € millions	**2020**	**2019**
Type 1 exposures	80	160
Type 2 exposures	88	56
Diversification	-11	-10
SCR counterparty default risk	**157**	**206**

The decrease in SCR counterparty default risk for type 1 exposures is among others caused by change in treatment of derivatives via clearing agencies, following legal assessment (in line with SII rules and regulations). Counterparty risk type 2 increased as a result of re-risking initiatives such as extra allocation to mortgages.

7.8 LIQUIDITY RISK

7.8.1 Risks - General

Liquidity risk is defined as the risk that SRLEV would have insufficient liquid assets to meet its financial liabilities in the short term, in a going concern situation or in times of a stress situation, or if obtaining the necessary liquidity would mean incurring unacceptable costs or losses.

The liquidity risk is monitored and managed both at consolidated level and at legal entity level.

7.8.2 Policy

The policy of SRLEV is to have more liquidity available than it is required to hold based on internal risk management minimum levels. The objective of the internal risk management minimum levels is to ensure that SRLEV is able to fulfill its obligations towards policyholders and all legal obligations.

The liquidity risk policy uses three sources of liquidity:
1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy.

Cash position

The first source of liquidity concerns the cash position. This position is built up from the cash management process from investments (managed by ACTIAM) and cash management process from underwriting and operating activities. In the investments cash management process all cash flows from investments are managed by our Asset Manager (ACTIAM).

SRLEV has taken into account that all obligations to policyholders must be respected and that these obligations will be paid throughout the underwriting and other operating cash management process. If at any time these obligations exceed the premium income additional cash will be transferred from the investment cash management process. Otherwise, when premiums exceed the payments in the operational cash management process, cash will be transferred to the investments cash management process, for the purpose of the investing excess cash (temporarily).

Liquidity buffer

The second source is the liquidity buffer. Together with the cash position, the liquidity buffer forms the overall liquidity position of the entity. The liquidity buffer is a good indicator for the overall liquidity position of SRLEV and takes into account all available assets and the impact of prescribed shocks in a stress situation. Monitoring of this buffer accounts for an important part of the daily activities of SRLEV.

Liquidity contingency policy

The last source of liquidity relates to a situation in which the normal liquidity and buffers turn out to be insufficient. In case of such a contingency, SRLEV has implemented a Crisis Management Team (CMT) structure and a predefined set of potential management actions. The CMT must take timely action in rapidly deteriorating liquidity circumstances in order to avoid a bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

7.8.3 Exposure

The required liquidity is determined based on absorbing shocks in a stress situation. The shocks are applied on prescribed risk categories. These risk categories are mass lapse (Life insurance) and interest rate movements. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

7.9 NON-FINANCIAL RISK

7.9.1 Risks - General

The Non-Financial Risk department (NFR), as a second line Risk department, monitors and provides advice to management on compliance risk and operational risk. NFR has frequently direct contact with the EB and SB and is represented in the Risk and Audit Committee of the Supervisory Board, RC-EB, PC, ORC Athora Netherlands and in the ORC's and PMP's of the MTs (see Section 7.2.5 Risk Organisation) of SRLEV. Within the PMP MTs, NFR Compliance advices on the development, evaluation and approval of products in accordance with laws, regulations, the AFM criteria and criteria related to treating customers fairly.

Compliance Risk

Compliance risk is the risk that an organisation is potentially able to suffer legal or regulatory sanctions, material financial loss, or loss of reputation as a result of non-compliance with applicable laws, regulations, rules, self-regulatory standards, codes and unwritten rules.

Non-compliance with integrity- and/or conduct related rules can potentially lead to regulatory action, financial loss and/or damage to the reputation of SRLEV, for example fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations within scope pertain amongst others to those laws and regulations as supervised by the Authority for the Financial Markets (AFM), the Dutch Central bank (DNB), the Authority for Consumers and Markets (ACM) and the Data Protection Authority (AP) for aspects related to nonfinancial risks. This includes the Dutch Financial Supervision Act (Wft), the Dutch Money Laundering and Terrorist Financing (Prevention) Act (Wwft), the Dutch Sanctions Act, as well as relevant European laws such as Solvency II, AIFMD and guidance from the Dutch Association of Insurers and other relevant bodies.

Operational Risk

Operational risk represents the risk of an economic loss, a negative reputational or supervisory impact resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks include the risk of a material misstatement in Athora Netherlands' financial reporting and legal risks, but excludes strategic and business risks. Operational risk events can lead to adverse consequences beyond a pure financial loss. The assessment of possible reputational impacts following an operational event is an explicit part of the operational risk management process.

Operational risks are inherent in all of Athora Netherlands' insurance products, activities, processes and systems and the management of operational risk is a fundamental element of Athora Netherlands' risk management framework. Athora Netherlands recognises the following types of operational risk: Execution & Process Control Risk, IT risk, Cyber Risk, Internal Fraud risk, External Fraud risk, Damage to physical assets risk and Staff & Security risk. Model risk is considered to be a separate risk.

7.9.2 Exposure to Non-financial Risks

During 2020, as an important part of Athora Netherlands' risk management system, Athora Netherlands further improved the Integrated Control Framework where process and management controls are an important part. Continuous attention on the quality of process and control design, testing of effectiveness of controls, monitoring compliancy, reporting and analysis tooling and process ownership enables the organisation to manage and monitor compliance and operational risks in an efficient and effective manner. Based on the monitoring of all risk types, in this paragraph the main developments and risk events are described. Athora Netherlands' management is of the opinion that action plans and programs are in place to sufficiently address and mitigate these risks.

Compliance Risk

Due to the great complexity of the legislation with regard to Solvency II, IFRS, GDPR, Wwft, ILM, IDD, PRIIPS and Supply Chain Responsibility and changes to the pension legislation, legislation may not be unequivocally be implemented on time, resulting in SRLEV not being compliant and potentially suffering reputational damage.

Following the acquisition by Athora, SRLEV is exposed to potential institutional integrity risks relating to appropriate independency, conflict of interest and governance. Addressing these risks SRLEV introduced a dedicated Institutional Conflict of Interest Policy and procedures. The acquisition by Athora also triggered construction of a new governance framework (Engagement Model) supporting collaboration and cooperation between Athora Netherlands and its new shareholder Athora. The governance framework is currently being revised to comply with the large company regime and other legal requirements, amongst others on the basis of written comments and feedback from the regulator.

As a Pension- and Life insurer, Sanctions- and Money laundering risks are assessed low, but not non-existent. The mortgage and real estate investment activities are being perceived and assessed as medium or higher risks. As a financial institution, Athora Netherlands has responsibilities to ensure detection and prevention. In Athora Netherlands' efforts to ensure compliance with applicable laws and regulations, instances of noncompliance can potentially occur.

Athora Netherlands assesses product specific risks with regard to sanctions, money laundering and terrorist financing on a regular basis. Based on the investigation in 2018 performed by DNB, during 2019 Athora Netherlands Schade executed and successfully concluded a remediation program to address DNB findings on compliance with Sanction law 1977. During 2020 Athora Netherlands initiated an improvement program to remediate identified shortcomings in relation to compliance with Sanction Law and anti-money laundering/counter terrorism financing regulation (Wwft) in Individual Life and Pension business. The program, relating to Product- and supporting Functional Lines, builds on prior executed improvement actions in 2019. The program, which made significant steps in organisational governance, risk assessments, (automated) processes and tooling, aims to reduce residual risks on a structural basis.

There are still outstanding remediation actions to be concluded in 2021 in the areas of customer/ business partner due diligence, transaction monitoring and sanction screening. The program progress is shared with the regulators.

Risks (including reputational risk) are not fully excluded in the non-accruing investment-linked policy file, due to the combined effects of intermittent media exposure, political opinion, court judgements and in-action on the part of customers. The client base is continuously addressed through STRLEVs aftercare program.

Due to the General Data Protection Regulation's challenging consequences on systems and processes, privacy risks should be taken into account. Special precautions have been taken in order to avoid data breaches when personal data is transferred or available to third parties and cleansing of data. Hereby particularly taking into account the additional risks arising from the migration program of VIVAT Schade to Nationale Nederlanden. The final remaining actions on GDPR compliance have been finalised in 2020, reducing the residual privacy risks. Local Privacy Champions, in cooperation with the appointed Data Protection Officer, safeguard full attention on SRLEVs compliance with the privacy regulation.

Operational Risk

Execution and Process Control Risk
At the start of 2020 the risk arising from the COVID-19 predominated non-financial risk management with SRLEV. Risks were analyzed weekly by all Product lines and Functional Lines within SRLEV and reported to the Crisis Management team that was founded at the start of the crisis. The effects of both the first and second wave and the economic downturn were however not apparent nor materializing in the year 2020 and no overall increase of the risk level was reported. The ASRLEV organisation is prepared for a prolonged period of working from home, although possible signs of possible decrease in work pleasure and social cohesion are closely monitored by management.

SRLEV change projects, systems conversions and change of ownership of the organisation were identified as the other main source of execution and process control risk. These changes within the organisation always bear a risk of aiming to realise (short term) results, often making use of the same resources available within the organisation. There has been more attention for increasing awareness for this during the execution of changes, also taking into account lessons learned from closed change projects and systems conversions.

Improvement of the quality of process design was addressed in 2020 in certain areas of the organisation, amongst others the Actuarial reporting domain, and Life corporate business. Nevertheless, the structural improvement of process- and control design needs further attention, which is the main focus of the ICF improvement program.

The committee structure within Athora Netherlands, including SRLEV, is comprehensive and effective and assures that new legislation, risk reports and findings, incidents, follow up on actions are addressed in Operational Risk and Compliance committees in the first line and at SRLEV board level. Incident procedures and policy prescribe direct remediations actions and reporting to second line Operational Risk and Compliance. Incidents are assessed with root cause analysis and possible structural improvements to be implemented.

Information Technology Risk
For the SRLEV Data, Technology and Change (DTC) organisation, 2020 has been a year of major changes in a challenging environment. Besides the impact of COVID-19 on our own organisation, DTC successfully took care of the continuity of the company by availability and qualitative sound and secure services which made it possible for the company to work from home or other locations than the office. During the year the takeover by Athora took place, the P&C migration to NN started and even so other programs like IFRS and more 'standard' projects were (partly) conducted and overall delivered on schedule and within financial boundaries. As an outcome of the conducted Strategic Review the IT organisation set the first steps in the change to be aligned with the new SRLEV business organisation

and strategy. A plan for further development of the organisation including a large cost reduction, to be realised in 2021, 2022 and 2023, has been drafted and the execution of this plan has started.

In addition, in 2020 DTC has been successful in increasing the efficiency of the IT processes by further improving the implemented Agile way of working. The implementation of the IT-frameworks SAFe and IT4IT will help DTC to further improve efficiency and effectiveness. Digitalization and process automation are still key focus areas. SRLEV is aware that these developments require high standards of change management and service delivery management within the IT department in order to maintain an IT landscape that is in control and is managing IT risks. Compliance with regulations and legislation is key and IT Risk Management is at the right level to monitor and mitigate risks. A very low number of incidents and very high availability of the business application show the success of these high standards.

When the COVID-19 crisis forced our employees to work from home, SRLEV turned out to be well prepared. Working from home was already common, and DTC was able to scale up in a short term for the whole organisation. Business continuity and productivity were not significantly impacted, extra management attention was given and there was little impact on sick leave or absenteeism.

More and more DTC is becoming a data driven organisation thus improving the quality of decision making. Data governance is in place to evaluate, direct and monitor data initiatives and the implementation of data policies and data related legislation. The SRLEV Data Strategy in 2020 has shown to be important in further supporting the organisation in becoming a customer oriented service organisation. The integration of processes, systems and data based on a solid data infrastructure has been successful to improve quality, efficiency and cost reduction. A new data-strategy for the next years has been drafted.

Outsourcing / Cloud Computing
The approach of SRLEV is to outsource activities in those areas in the customer value chain where an external service provider can provide added value. When specific activities for outsourcing have been identified a risk analysis is part of the preparation phase. In case of cloud services an additional risk analysis is performed to manage the risks particularly related to cloud. The results of the risks analysis are reflected in the contracts with the service providers. In 2020 the risk management framework for the risks related to outsourcing contracts, has been improved. The level of maturity of the different stages within the outsourcing process has been assessed and actions for further improvement were established.

Cybercrime Risk
For SRLEV mitigating the cybercrime risk is a key priority. Cybercrime risk increases over time and is becoming more widespread and professionalised, for example cyber-attacks using ransomware or in supply chains. In 2020 no major incidents related to cybercrime occurred within SRLEV. Cybercrime will remain high on the agenda of the Athora Netherlands Board and Risk Boards. To manage the increasing risk effectively in 2020 extra measures related to prevention, monitoring and incident response have been implemented. Several phishing campaigns were executed to promote awareness for the behavioral aspects of cybercrime. Also additional measures for threat and patch management were taken. A cybercrime plan for 2021 has been drafted and SRLEV will keep on focusing on mitigating this risk.

Staff and Security Risk
In 2020 the sale of VIVAT to Athora Group was finalised including the transfer of the shares in VIVAT Schadeverzekeringen N.V. to NN Schade. In addition the COVID-19 crisis put more pressure on the employees. The risks associated to staff and security have been closely monitored including through additional employee surveys. Regular updates of staff risk assessments as part of the risk reporting on both events ensured that the risk was closely monitored by the EB. Although outflow of employees, (senior) management and some key staff in certain areas was experienced, overall the risk remained within acceptable levels.

Model Risk

In 2020, SRLEV updated the compact model risk overviews for several departments to maintain good insight in its model risk. Model risk was further reduced by follow-up of second line findings via improving models. Within the model landscape important steps towards lower model risk have been taken by improving models and systems. Ongoing model validations on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

7.9.3 SCR Operational Risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. This takes into account legal risks, but risks that are a consequence of strategic decisions or reputational risks are disregarded. The technical provision for own risk is part of the calculation of the SCR operational risk.

The basic capital requirement for operational risk is calculated by taking the maximum of (a) the capital requirement for operational risks on the basis of earned premiums and (b) the capital requirement for operational risks on the basis of technical provisions and adding 25% of the expenses incurred in respect of unit linked business.

SCR OPERATIONAL RISK		
In € millions	**2020**	**2019**
SRLEV	195	187

The SCR for operational risk increased due to increase of the technical provision mainly due to lower interest rates.

8 COMPANY FINANCIAL STATEMENTS

8.1 COMPANY STATEMENT OF FINANCIAL POSITION

Before result appropriation and in € millions	Ref.[1]	31 December 2020	31 December 2019
Assets			
Property and equipment	1	38	50
Investments in associates		38	37
Subsidiaries	2	1,691	164
Receivables from group companies	3	1,425	1,562
Investment property	4	303	287
Investments	5	38,454	37,362
Investments for account of policyholders	6	13,558	13,265
Investments for account of third parties		1,338	448
Derivatives		5,350	3,017
Deferred tax		611	460
Reinsurance share	10	27	46
Loans and advances due from banks		589	712
Corporate income tax		-	3
Other assets	7	199	190
Cash and cash equivalents	8	213	239
Total assets		**63,834**	**57,842**
Equity and liabilities			
Issued share capital[2]		0	0
Share premium reserve		2,464	2,264
Revaluation reserves		154	123
Retained earnings		716	773
Total shareholders' equity		**3,334**	**3,160**
Holders of other equity instruments		350	250
Total equity	9	**3,684**	**3,410**
Subordinated debt		766	774
Capital base		**4,450**	**4,184**
Insurance liabilities	10	51,176	48,673
Liabilities investments for account of third parties		1,338	448
Provision for employee benefits		219	198
Other provisions		17	15
Derivatives		1,080	674
Amounts due to banks		4,650	2,715
Corporate income tax		6	-
Other liabilities	11	898	935
Total equity and liabilities		**63,834**	**57,842**

1 The references next to the balance sheet items relate to the notes to the company statement of financial position in Section 9.2.
2 The issued and paid up share capital of SRLEV NV is € 45,000.

8.2 COMPANY STATEMENT OF PROFIT OR LOSS

In € millions	Ref.[1]	2020	2019
Income			
Premium income		1,759	1,843
Reinsurance premiums		248	195
Net premium income		**1,511**	**1,648**
Fee and commission income		48	42
Fee and commission expense		17	16
Net fee and commission income		**31**	**26**
Share in result of subsidiaries and associates	14	13	11
Investment income		1,077	1,225
Investment income / expense for account of policyholders		692	2,043
Result on investments for account of third parties		115	86
Result on derivatives		1,774	1,655
Total income		**5,213**	**6,694**
Expenses			
Technical claims and benefits		3,642	3,497
Charges for account of policyholders		1,304	2,463
Acquisition costs for insurance activities		15	17
Result on liabilities from investments for account of third parties		115	86
Staff costs		177	140
Depreciation and amortisation of non-current assets		2	2
Other operating expenses		38	37
Impairment losses (reversals)		11	-7
Other interest expenses		52	69
Total expenses		**5,356**	**6,304**
Result before tax		**-143**	**390**
Tax expense / benefit		-115	60
Net result continued operations for the period		**-28**	**330**
Attributable to:			
- Shareholders		-28	311
- Holders of other equity instruments		-	19
Net result continued operations for the period		**-28**	**330**

1 The references next to the income statement items relate to the notes to the company statement of profit or loss in Section 9.2.

8.3 COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME

COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME		
In € millions	2020	2019
OCI not to be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	-22	-26
Income tax relating to items that never be reclassified	5	6
Tax rate reduction adjustment relating to items that never be reclassified	-	-1
Net OCI never reclassified to profit or loss	**-17**	**-21**
OCI to be reclassified subsequently to profit or loss		
Unrealised revaluations from cash flow hedges	59	97
Amortisation from cash flow hedges	29	-5
Unrealised revaluations investments available for sale	-130	636
Impairments and reversals fair value reserve	-2	3
Realised gains and losses fair value reserve through profit or loss	405	14
Results on allocated investments and interest derivatives	-347	-756
Income tax relating to items that may be reclassified	-3	2
Tax rate reduction adjustment relating to items that may be reclassified	8	1
Net OCI to be reclassified to profit or loss subsequently	19	-8
Other comprehensive income (net of tax)	**2**	**-29**

COMPANY STATEMENT OF TOTAL COMPREHENSIVE INCOME		
In € millions	2020	2019
Net result for the period	-28	330
Other comprehensive income (net of tax)	2	-29
Total comprehensive income (net of tax)	**-26**	**301**
Attributable to:		
- Shareholders	-26	282
- Holders of other equity instruments	-	19
Total comprehensive income	**-26**	**301**

8.4 COMPANY STATEMENT OF CHANGES IN EQUITY

COMPANY STATEMENT OF CHANGES IN EQUITY 2020							
In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Retained earnings	Total shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2020	**0**	**2,264**	**122**	**774**	**3,160**	**250**	**3,410**
Other comprehensive income	-	-	19	-17	**2**	-	**2**
Net result 2020	-	-	-	-28	**-28**	-	**-28**
Total comprehensive income 2020	**-**	**-**	**19**	**-45**	**-26**	**-**	**-26**
Capital Subordinated Loan - Principal	-	-	-	-	**-**	100	**100**
Capital injection	-	200	-	-	**200**	-	**200**
Unrealised revaluations	-	-	25	-25	**-**	-	**-**
Realised revaluations	-	-	-1	1	**-**	-	**-**
Tax relating to changes in revaluation reserve	-	-	-5	5	**-**	-	**-**
Tax rate reduction adjustment	-	-	-6	6	**-**	-	**-**
Other movements 2020	**-**	**200**	**13**	**-13**	**200**	**100**	**300**
Total changes in equity 2020	**-**	**200**	**32**	**-58**	**174**	**100**	**274**
Balance as at 31 December 2020	**0**	**2,464**	**154**	**716**	**3,334**	**350**	**3,684**

1 The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share for a total value of € 45,000.00.

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2019, no dividends on ordinary shares for 2020 .

STATEMENT OF CHANGES IN REVALUATION RESERVES 2020				
In € millions	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2020	**122**	**-**	**-**	**122**
Unrealised revaluations from cashflow hedges	-	59	-	**59**
Amortisation from cashflow hedges	-	29	-	**29**
Unrealised revaluations	25	-	-130	**-105**
Realised revaluations	-1	-	-	**-1**
Impairments	-	-	-2	**-2**
Realised gains and losses through profit or loss	-	-	405	**405**
Results on allocated investments and interest derivatives	-	-88	-259	**-347**
Income tax	-5	-	-3	**-8**
Tax rate reduction adjustment	-6	-	8	**2**
Total changes in equity 2020	**13**	**-**	**19**	**32**
Balance as at 31 December 2020	**135**	**-**	**19**	**154**

COMPANY STATEMENT OF CHANGES IN EQUITY 2019

In € millions	Issued share capital	Share premium reserve	Sum revaluation reserves	Retained earnings	Total shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2019	**0**	**2,264**	**107**	**507**	**2,878**	**250**	**3,128**
Other comprehensive income	-	-	-8	-21	**-29**	-	**-29**
Net result 2019	-	-	-	330	**330**	-	**330**
Total comprehensive income 2019	**-**	**-**	**-8**	**309**	**301**	**-**	**301**
Interest on other equity instruments	-	-	-	-19	**-19**	-	**-19**
Unrealised revaluations	-	-	32	-32	**-**	-	**-**
Tax relating to changes in revaluation reserve	-	-	-7	7	**-**	-	**-**
Tax rate reduction adjustment	-	-	-2	2	**-**	-	**-**
Other movements 2019	**-**	**-**	**23**	**-42**	**-19**	**-**	**-19**
Total changes in equity 2019	**-**	**-**	**15**	**267**	**282**	**-**	**282**
Balance as at 31 December 2019	**0**	**2,264**	**122**	**774**	**3,160**	**250**	**3,410**

STATEMENT OF CHANGES IN REVALUATION RESERVES 2019

In € millions	Revaluation reserves	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2019	**99**	**-**	**8**	**107**
Unrealised revaluations from cashflow hedges	-	97	-	**97**
Amortisation from cashflow hedges	-	-5	-	**-5**
Unrealised revaluations	32	-	636	**668**
Impairments	-	-	3	**3**
Realised gains and losses through profit or loss	-	-	14	**14**
Results on allocated investments and interest derivatives	-	-92	-664	**-756**
Income tax	-7	-	2	**-5**
Tax rate reduction adjustment	-2	-	1	**-1**
Total changes in equity 2019	**23**	**-**	**-8**	**15**
Balance as at 31 December 2019	**122**	**-**	**-**	**122**

8.5 COMPANY CASH FLOW STATEMENT

In € millions	2020	2019[1]
Cash flow from operating activities		
Operating profit before tax	-143	389
Adjustments for non-cash items included in profit before tax:		
Depreciation and amortisation of non-current assets	2	2
Amortisation of investments	171	172
Change in provision for employee benefits	-2	-
Changes in provisions	2	-5
Impairment charges / (reversals)	10	-7
Unrealised results on investments through profit or loss	-1,781	-2,012
Retained share in the result of associates	-13	-11
Taxes		
Taxes paid	-15	-
Change in operating assets and liabilities:		
Change in amounts due from banks	123	850
Change in amounts due to banks	1,935	1,375
Change in investment property	-6	-
Change in investments	-911	-1,983
Change in derivatives	-5	115
Change in other assets	132	-610
Change in insurance liabilities for policyholders	295	1,548
Change in insurance liabilities	1,880	1,566
Changes in other liabilities	-46	-72
Net cash flow from operating activities	**1,629**	**1,317**
Cash flow from investment activities		
Sale of investment property	-	3
Sale of investments in associates	-	7
Sale and redemption of investments and derivatives	39,879	35,053
Investment in subsidiary	-1,514	-3
Capital injection subsidiary	-	-34
Purchase of investment property	1	-1
Purchase of investments in associates	-2	-44
Purchase of investments and derivatives	-40,319	-36,195
Net cash flow from investment activities	**-1,954**	**-1,214**
Cash flow from finance activities		
Capital injection	200	-
Interest payment of subordinated notes	-	-19
Interest on other equity instruments	100	-
Net cash flow from financing activities	**300**	**-19**
Net increase/(decrease) in cash and cash equivalents	**-25**	**84**
Cash and cash equivalents 1 January	239	155
Cash and cash equivalents as at 31 December	**213**	**239**

In € millions	2020	2019[1]
Cash flow from operating activities		
Additional disclosure with regard to cash flows from operating activities:		
Interest income received	798	1,198
Dividends received	124	164
Interest paid	66	59

1 Comparative figures (unrealised results on investments through profit and loss, change in investments, change in derivatives, change in other assets, change in insurance liabilities for policyholders, change in insurance liabilities, change in other liabilities) have been restated due to the fact that an amount was presented as a positive, as opposed to a negative. Comparitive figures also have been reclassified for comparison purposes. The restatement en reclassification do not affect previously reported cash flow from operating activities.

9 NOTES TO THE COMPANY FINANCIAL STATEMENTS

9.1 ACCOUNTING POLICIES TO THE COMPANY FINANCIAL STATEMENTS

Basis of Preparation

Pursuant to the option offered in article 2:362(8) of the Dutch Civil Code, SRLEV prepares its company financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. These are the same accounting policies as those used for the consolidated financial statements (refer to Section 6.1 Principles for the preparation of the consolidated financial statements).

Applicable Accounting Policies

Where applicable, for items not described in this section, the accounting policies applied for the company financial statements are the same as those described in the section 6.1 Accounting policies for the consolidated financial statement. For the items not separately disclosed in the notes to the company financial statement, reference is made to the notes in the section 6.3 Notes to the consolidated financial statements.

Subsidiaries

Subsidiaries are companies and other entities in which SRLEV NV has the power, directly or indirectly, to govern the financial and operating policies and that are controlled by SRLEV NV. Subsidiaries are recognised using the equity method of accounting.

Movements in the carrying amounts of subsidiaries due to changes in their revaluation, cash flow, fair value and profit-sharing reserves are recognised in shareholders' equity.

Movements in the carrying amounts arising from the share of result of subsidiaries are recognised in accordance with the accounting policies of SRLEV NV in profit or loss. The distributable reserves of subsidiaries are recognised in retained earnings.

Receivables from and Debts to Group Companies

Loans (including subordinated loans) to and from group companies are measured at amortised cost.

Revaluation Reserve

The revaluation reserve comprises the cumulative revaluations on investment property and revaluations of owner-occupied property of SRLEV's subsidiaries net of income tax. A cumulative loss on an investment property and owner-occupied property (acquisition costs exceed the fair value) is not recognised as part of the revaluation reserve.

9.2 NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 PROPERTY AND EQUIPMENT

BREAKDOWN OF PROPERTY AND EQUIPMENT		
In € millions	**2020**	**2019**
Land and buildings for own use	38	50
Other assets	-	-
Total	**38**	**50**

STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2020			
In € millions	**Land and buildings**	**Other assets**	**Total**
Accumulated acquisition costs	78	1	**79**
Accumulated depreciation and impairments	-41	-1	**-42**
Accumulated other	1	-	**1**
Balance as at 31 December	**38**	**-**	**38**
Balance as at 1 January	**50**	**-**	**50**
Reclassifications	-4	-	**-4**
Depreciation	-2	-	**-2**
Impairments	-6	-	**-6**
Other	-	-	**-**
Balance as at 31 December	**38**	**-**	**38**

STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2019			
In € millions	**Land and buildings**	**Other assets**	**Total**
Accumulated acquisition costs	81	1	**82**
Accumulated revaluation, depreciation and impairments	-32	-1	**-33**
Accumulated other	1	-	**1**
Balance as at 31 December	**50**	**-**	**50**
Balance as at 1 January	**46**	**1**	**47**
Depreciation	-1	-1	**-2**
Impairments	4	-	**4**
Other	1	-	**1**
Balance as at 31 December	**50**	**-**	**50**

For details on rental income, see Note 1 Property and Equipment of the consolidated financial statements.

Appraisal of Land and Buildings for Own Use

All land and buildings for own use are appraised by an external surveyor in three stages spread across the first three quarters of the calendar year: one third in the first quarter, the next third in the second quarter and the final third in the third quarter. The external surveyor updates the appraisals at the end of the fourth quarter. Consequently, properties are appraised two times a year.

2 SUBSIDIARIES

STATEMENT OF CHANGES IN SUBSIDIARIES		
In € millions	2020	2019
Balance as at 1 January	**164**	**117**
Acquisitions	1,489	3
Capital issue	25	34
Result	13	10
Balance as at 31 December	**1,691**	**164**

The amount of € 1,489 million presented as acquisitions concerns the new investments in Rabo Dutch Mortgages Fund Yellow (€ 1,244 million) and Athora Lux Invest (€ 245 million). Rabo Dutch Mortgages Fund Yellow is an investment fund controlled by SRLEV specialised in acquiring mortgages. SRLEV is the only investor in the fund. Athora Lux Invest is an umbrella investment fund with sub-funds, in which SRLEV is the only investor. At the end of 2020 two sub-funds specialised in commercial real estate and middle market direct lending were controlled by SRLEV.

In 2020, the capital issue consists of a share premium payment to RE Young Urban Housing BV of € 25 million (2019: Share premium payment to RE Young Urban Housing BV of € 34 million).

On 16 December 2019, SRLEV acquired 100% of the shares of Bellecom NV for an amount of € 3 million. Refer to section 6.2 for more details.

3 RECEIVABLES FROM GROUP COMPANIES

BREAKDOWN OF RECEIVABLES FROM GROUP COMPANIES		
In € millions	2020	2019
Collateralised securities	1,340	1,475
Loans	53	48
Receivables	32	39
Balance as at 31 December	**1,425**	**1,562**

LOANS				
In € millions	Coupon	Maturity	2020	2019
GVR 500 Building BV	Floating	2012 - 2032	40	40
Bellecom NV	3.30%	2019 - 2029	13	8
Total			**53**	**48**

4 INVESTMENT PROPERTY

STATEMENT OF CHANGES IN INVESTMENT PROPERTY		
In € millions	2020	2019
Balance as at 1 January	**287**	**267**
Reclassifications	4	-
Investments	1	1
Divestments	-	-3
Revaluations	11	22
Balance as at 31 December	**303**	**287**

5 INVESTMENTS

BREAKDOWN OF INVESTMENTS		
In € millions	2020	2019
Fair value through profit or loss: Designated	174	186
Investments available for sale	31,002	29,701
Loans and receivables	7,278	7,475
Total	**38,454**	**37,362**

BREAKDOWN OF FAIR VALUE THROUGH PROFIT OR LOSS: LISTED AND UNLISTED		
In € millions	2020	2019
Listed	174	186
Unlisted	-	-
Total	**174**	**186**

STATEMENT OF CHANGES IN FAIR VALUE THROUGH PROFIT OR LOSS		
In € millions	2020	2019
Balance as at 1 January	**186**	**186**
Disposals and redemptions	-18	-10
Revaluations	6	10
Received Coupons	-5	-5
Accrued Interest	5	5
Balance as at 31 December	**174**	**186**

The investments available for sale concern investments in unlisted shares and similar investments and listed fixed-income investments.

BREAKDOWN OF AVAILABLE FOR SALE: LISTED AND UNLISTED						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2020	2019	2020	2019	2020	2019
Listed	-	-	27,186	26,548	**27,186**	**26,548**
Unlisted	2,462	2,195	1,354	958	**3,816**	**3,153**
Total	**2,462**	**2,195**	**28,540**	**27,506**	**31,002**	**29,701**

STATEMENT OF CHANGES IN AVAILABLE FOR SALE						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2020	2019	2020	2019	2020	2019
Balance as at 1 January	**2,195**	**3,596**	**27,506**	**23,960**	**29,701**	27,556
Purchases and advances	16,347	19,476	19,762	14,152	36,109	33,628
Disposals and redemptions	-16,045	-20,880	-19,046	-11,159	-35,091	-32,039
Revaluations	4	27	695	680	699	707
Impairments	-4	4	-	-	-4	4
Amortisation	-	-	-170	-168	-170	-168
FX Result	-11	11	-186	70	-197	81
Received Coupons	-	-	-564	-633	-564	-633
Accrued Interest	-	-	543	604	543	604
Dividend Received/ Negative Distribution	-24	-39	-	-	-24	-39
Balance as at 31 December	**2,462**	**2,195**	**28,540**	**27,506**	**31,002**	**29,701**

BREAKDOWN OF AVAILABLE FOR SALE: MEASUREMENT						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2020	2019	2020	2019	2020	2019
(Amortised) cost	2,433	2,177	24,776	23,940	**27,209**	**26,117**
Revaluation	29	18	3,467	3,212	**3,496**	**3,230**
Accrued interest	-	-	297	354	**297**	**354**
Balance as at 31 December	**2,462**	**2,195**	**28,540**	**27,506**	**31,002**	**29,701**

BREAKDOWN OF LOANS AND RECEIVABLES		
In € millions	2020	2019
Mortgages	1,492	1,146
Private loans linked to savings mortgages	3,967	4,399
Other private loans	1,819	1,930
Total	**7,278**	**7,475**
Provision for bad debts	-	-
Total	**7,278**	**7,475**

STATEMENT OF CHANGES IN LOANS AND RECEIVABLES		
In € millions	**2020**	**2019**
Balance as at 1 January	**7,475**	7,457
Purchases and advances	1,364	1,240
Disposals and redemptions	-1,675	-1,417
Amortisation	-2	-3
Realised Revaluation	2	-
Accrued interest	158	188
FX Result	-44	10
Balance as at 31 December	**7,278**	**7,475**
Balance provisions as at 1 January	**-**	**-**
Release due to derecognition	-	-
Balance provisions as at 31 December	**-**	**-**
Total	**7,278**	**7,475**

6 INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

BREAKDOWN OF INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS		
In € millions	**2020**	**2019**
Shares and similar investments:		
- Listed	12,700	12,399
- Unlisted	409	362
Fixed-income investments		
- Listed	199	236
- Unlisted	250	268
Total	**13,558**	**13,265**

STATEMENT OF CHANGES IN INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS		
In € millions	**2020**	**2019**
Balance as at 1 January	**13,265**	**11,732**
Purchases and advances	2,793	1,326
Disposals and redemptions	-3,097	-1,724
Changes in fair value	691	2,038
Dividend Received/Negative Distribution	-100	-124
Received Coupons	-3	-5
Accrued Interest	13	16
FX Result	-3	1
Other movements	-1	5
Balance as at 31 December	**13,558**	**13,265**

7 OTHER ASSETS

BREAKDOWN OF OTHER ASSETS		
In € millions	2020	2019
Receivables from policyholders	45	37
Receivables from intermediaries	47	66
Receivables from direct insurance	**92**	**103**
Accrued interest	14	18
Other accrued assets	38	21
Accrued assets	**52**	**39**
Other receivables	55	48
Total	**199**	**190**

The receivables are expected to be recovered within twelve months after reporting date.

8 CASH AND CASH EQUIVALENTS

BREAKDOWN OF CASH AND CASH EQUIVALENTS		
In € millions	2020	2019
Short-term bank balances	213	239
Total	**213**	**239**

Short-term bank balances are at the company's free disposal.

9 EQUITY

Issued Share Capital

The issued share capital has been fully paid up and consists of ordinary shares with a nominal value of € 500.00 per share. 90 ordinary shares had been issued at 31 December 2020 (2019: 90).

BREAKDOWN OF ISSUED SHARE CAPITAL				
	Number of ordinary shares		Amount of ordinary shares (in € thousands)	
	2020	2019	2020	2019
Authorised share capital	450	450	225	225
Share capital in portfolio	360	360	180	180
Issued share capital as at 31 December	**90**	**90**	**45**	**45**

10 INSURANCE LIABILITIES AND REINSURANCE SHARE

BREAKDOWN OF INSURANCE LIABILITIES AND REINSURANCE SHARE				
	Gross		Reinsurance	
In € millions	2020	2019	2020	2019
Provision for Life insurance obligations	25,766	26,279	27	46
Results on allocated investments and interest derivatives	8,817	6,651	-	-
Cumulative LAT deficit	2,184	1,758	-	-
Unamortised interest rate discounts	331	186	-	-
Provision for profit-sharing, bonuses and discounts	54	71	-	-
Life, for own risk	**37,152**	**34,945**	**27**	**46**
Life, for account of policyholders	**14,024**	**13,728**	**-**	**-**
Total	**51,176**	**48,673**	**27**	**46**

PROVISION FOR LIFE INSURANCE OBLIGATIONS: STATEMENT OF CHANGES				
	Gross		Reinsurance	
In € millions	2020	2019	2020	2019
Balance as at 1 January	**26,279**	**26,551**	**46**	**77**
Portfolio transfers	14	268	-	-
Benefits paid	-2,185	-2,260	-21	-221
Premiums received	1,090	1,119	3	195
Interest added	778	816	2	-2
Technical result	-79	-84	-2	-3
Release of expense loading	-123	-128	-1	-
Other movements	-8	-3	-	-
Balance as at 31 December	**25,766**	**26,279**	**27**	**46**

For the LAT test results refer to Note 14.3 LAT test results in the Notes to the consolidated financial statements.

UNAMORTISED INTEREST RATE DISCOUNTS (OR SURCHARGES): STATEMENT OF CHANGES		
In € millions	2020	2019
Balance as at 1 January	**186**	**81**
Discounts granted in the financial year	172	116
Amortisation	-27	-11
Balance as at 31 December	**331**	**186**

PROVISION FOR PROFIT-SHARING, BONUSSES AND DISCOUNTS: STATEMENT OF CHANGES		
In € millions	2020	2019
Balance as at 1 January	**71**	**57**
Profit-sharing, bonuses and discounts granted in the financial year	-17	14
Balance as at 31 December	**54**	**71**

INSURANCE LIABILITIES FOR INSURANCE ON BEHALF OF POLICYHOLDERS: STATEMENT OF CHANGES		
In € millions	2020	2019
Balance as at 1 January	**13,728**	**12,181**
Portfolio transfers	-14	-268
Premiums received	668	723
Benefits paid	-1,027	-936
Interest added	665	33
Changes in valuation and exchange rate	74	2,042
Technical result	-15	11
Release of expense loading	-56	-58
Balance as at 31 December	**14,024**	**13,728**

11 OTHER LIABILITIES

BREAKDOWN OF OTHER LIABILITIES		
In € millions	**2020**	**2019**
Debts to group companies	105	49
Debts in relation to direct insurance	202	210
Debts to reinsurers	44	66
Investment transactions to be settled	14	12
Other taxes	20	17
Other liabilities	238	239
Benefits to be paid	258	325
Accrued interest	17	17
Total	**898**	**935**

The other liabilities are expected to be settled within twelve months after reporting date.

12 GUARANTEES AND COMMITMENTS

For details on off-balance sheet commitments, see Note 19 Guarantees and Commitments of the consolidated financial statements.

13 RELATED PARTIES

INTRA-GROUP BALANCES AND TRANSACTIONS BETWEEN SRLEV NV AND SUBSIDIARIES		
In € millions	**2020**	**2019**
Positions		
Assets		
Loans and advances	52	48
Collateralised securities	1,340	1,475
Receivables	19	24
Liabilities		
Other liabilities	58	40
Transactions		
Capital issue to subsidiaries	25	37
Movements receivables	-4	8
Movements collateralised securities	-134	652
Movements loans and advances	5	8
Movements other liabilities	18	4
Income		
Interest Available for sale	25	24
Interest Loans and receivables	1	1
Expenses		
Other operating expenses	-	1

For details on the intra-group balances and transactions between SRLEV, Athora Netherlands, Athora and Affiliates, including the board remuneration, see Note 20 Related parties of the consolidated financial statements.

14 SHARE IN RESULT OF SUBSIDIARIES AND ASSOCIATES

BREAKDOWN OF SHARE IN RESULT OF SUBSIDIARIES AND ASSOCIATES		
In € millions	**2020**	**2019**
REAAL Wognumsebuurt BV	-1	-
REAAL de Ruijterkade BV	-	1
REAAL Landbouw I BV	3	-
REAAL Woningen I BV	-	1
GVR 500 Building BV	6	8
Bellecom NV	-1	-
Rabo Dutch Mortgages Fund Yellow	5	-
CBRE Property Fund Central and Eastern Europe	1	1
Total	**13**	**11**

15 AUDIT FEES

Pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code, the company has availed itself of the exemption from disclosing the audit fees in the annual report. These disclosures have been included in the Annual Report 2020 of Athora Netherlands NV.

16 RESULT APPROPRIATION

For the provisions of the articles of association governing the appropriation of profit or loss reference is made to Section Other information.

The Executive Board proposes to the General Meeting of Shareholders to deduct the negative result for 2020 of € 28 million from the retained earnings of SRLEV NV.

In accordance with the resolution of the General Meeting of Shareholders held on 31 March 2020, the positive result for 2019 of € 330 million has been added to the retained earnings of SRLEV NV.

Amstelveen, the Netherlands, 24 March 2021

The Supervisory Board

M.W. (Maarten) Dijkshoorn

M.A.E. (Michele) Bareggi

F.G.H. (Floris) Deckers

J.M.A. (Hanny) Kemna

P.P.J.L.M.G. (Pierre) Lefèvre

The Executive Board

R.H. (Tom) Kliphuis

Y. (Yinhua) Cao[2]

A.P. (Annemarie) Mijer

A. (Angelo) Sacca

S.A. (Stefan) Spohr

[2] Yinhua Cao will step down as Chief Financial Officerand member of the Executive Board of Athora Netherlands N.V., effective on 1 May 2021.

OTHER INFORMATION

1 PROVISIONS IN ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OF PROFIT OR LOSS

Article 36 Profit and Loss; general

1. The profits shall be at the free disposal of the general meeting.

2. If the general meeting does not resolve to distribute profit of such financial year, that profit will be added to the general reserves.

3. The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law. The reserves created in accordance with article 35 by the management board are not subject to distribution to shareholders and other persons who are entitled to profit distribution.

4. Profits will be only distributed after adoption of the annual accounts showing that this is justified.

Article 37 Profit and Loss; distributions

1. Dividends shall be payable within fourteen days following their adoption, unless the general meeting determines another date on the proposal of the management board.

2. Dividends which have not been collected within five years after they became due and payable shall revert to the company.

3. The general meeting may resolve that dividends shall be distributed in whole or in part in a form other than cash.

4. Interim distributions shall be made if the general meeting so determines on the proposal of the management board, including an interim distribution of reserves, subject to due observance of the provisions of section 2:105 subsection 4 Civil Code.

5. A deficit may only be offset against the reserves prescribed by law, to the extent permitted by the law or by these articles of association.

Independent auditor’s report

To: the shareholder and supervisory board of SRLEV N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements of SRLEV N.V. (‘SRLEV’ or ‘the Company’), based in Alkmaar, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of SRLEV N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated statement and company financial statement of financial position as at 31 December 2020
- The following statements for 2020: the consolidated and company statements of profit or loss, total comprehensive income, changes in equity and cash flow statements
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of SRLEV N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

SRLEV N.V. is a life insurance company with Athora Netherlands N.V. as holding company. SRLEV N.V. is structured in several entities and we tailored our audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the entity and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We were forced to perform our procedures relating to the audit of the 2020 financial statements to a greater extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical presence and direct observation, we more extensively used communication technologies and written information exchange to obtain the audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 53 million (2019: EUR 47.5 million)
Benchmark applied	1.5% of total shareholder’s equity (2019: 1.5% of total shareholder’s equity)
Explanation	SRLEV’s total shareholder’s equity and solvency, and the ability to meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on total shareholder’s equity.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 2.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

SRLEV is at the head of a group of entities. The financial information of this group is included in the financial statements of SRLEV.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We only included SRLEV N.V. and the entities with investments in the audit scope for consolidation purposes, resulting in a coverage of 99% of total assets, 99% of shareholder’s equity and 97% of profit before tax. We performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement for the remaining entities.

By performing the procedures mentioned above at group entities, together with additional procedures at SRLEV level, we have been able to obtain sufficient and appropriate audit evidence about SRLEV’s financial information to provide an opinion on the financial statements.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and human resources directors) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud in close co-operation with our forensic specialists. In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in 'Estimates and Assumptions' (Note 6.1.3 to the financial statements). We have also used data analysis to identify and address high-risk journal entries.

Our audit procedures to address the assessed fraud risks did not result in a key audit matter. However, we describe the audit procedures responsive to the assessed fraud risk related to the risk of management override of controls in the description of our audit approach for the key audit matter Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT).

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the executive board, reading minutes, inspection of internal audit, nonfinancial risk management and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. In cases of instances of non-compliance with laws and regulations (with the potential of having a material effect) we assessed whether the Company has a process in place to evaluate the impact of non-compliance for its operations and financial reporting and, where relevant, the Company implemented remediation plans amongst which the Sanction Law & Anti Money Laundering improvement plan and the plan to improve the governance model. We make a reference to section 7.9 Non-financial Risk and note 19 Guarantees and Commitments in which legal and compliance risk are disclosed.

Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. The executive board made a specific assessment of the Company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the Company's operations and forecasted cash flows, with a focus on whether the Company will have sufficient liquidity to continue to meet its obligations as they fall due and will continue to comply with prudential requirements.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

We have not changed our key audit matters compared to previous year.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of investments and related disclosures	
Risk	SRLEV invests in various asset types and continued the re-risking of the investment portfolio in 2020. 82% of assets are carried at fair value in the statement of financial position. Of the total assets measured at fair value and other measurement bases, 18% is related to investments for which no published prices in active markets are available. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation. Valuation techniques for mortgages, loans, investment property and for non-listed equities and bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated disclosures are complex and dependent on high quality data. Furthermore, the excess of fair value over the carrying value of mortgages and loans at amortized cost is relevant for liability adequacy test (refer to “Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT)”) We therefore consider the fair value measurement of investments and related disclosures a key audit matter. Specific areas of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which significant unobservable inputs are used. We refer to the General Accounting Policies (6.1.3) on ‘Estimates and Assumptions’ and ‘Fair Value of Assets and Liabilities’ and Note 38 ‘Financial instruments’ of the financial statements.
Our audit approach	Our audit procedures included, amongst others, assessing the appropriateness of the Company’s accounting policies related to the fair value measurement of investments according to IFRS13 “Fair Value Measurement”. We evaluated the design and tested operating effectiveness of the controls over valuation, independent price verification and model validation and approval. We performed additional substantive procedures, supported by our valuation specialists where necessary. This included, where relevant, comparison of judgments made to current and emerging market practice (including consideration of COVID-19 pandemic impact) and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal and fair value information based on the Company’s own purchase transactions. Finally, we evaluated the related disclosures in accordance with IFRS 7 “Financial instruments: disclosures” and IFRS13 “Fair Value Measurement”.
Key observations	Based on our procedures performed, we consider the fair value of financial instruments to be within a reasonable range. The fair value disclosures of investments meet the requirements of IFRS-EU.

Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT)	
Risk	SRLEV has insurance liabilities of EUR 53 billion representing 87% of the Company’s total liabilities. The measurement of insurance liabilities involves judgment over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. The Company’s IFRS liability adequacy test (LAT) is performed in order to confirm that insurance liabilities are adequate in the context of expected future cash outflows. In the LAT,

Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT)	
	the excess of fair value over the carrying value of mortgages and loans at amortized cost is taken into account. As at 31 December 2020, the LAT shows a significant deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT to cover for this deficit. Changes in estimates and assumptions used in the LAT therefore directly impact SRLEV's profit or loss. The setting of mortality, longevity, expense and lapse assumptions in the LAT, as well as discount curves and the assumptions to determine the fair value of mortgages, require application of significant judgment. Furthermore, in 2020 SRLEV has entered in a new (additional) longevity reinsurance contract, providing partial cover for the financial impact of longevity risk for a selected portfolio of group pension insurance contracts. The impact of this contract is included in LAT calculation and as such affected the cumulative LAT deficit per 31 December 2020. The new longevity reinsurance contract resulted in an one-off increase of the LAT-deficit by EUR 188 million per 31 December 2020. We refer to the General Accounting Policies (6.1.3) on 'Insurance Liabilities' and Note 14 'Insurance Liabilities and Reinsurance Share' of the financial statements.

Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT)	
Our audit approach	Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to the measurement of insurance liabilities and the IFRS LAT according to IFRS 4 'Insurance contracts'. We involved our actuarial specialists to assist us in performing audit procedures in this area. This included among others consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of life insurance liabilities. As part of these procedures, we evaluated Company and industry data, and expectations of developments in this respect. In addition, we considered the validity of the Company's IFRS LAT results which is a key test performed in order to ensure that insurance liabilities are adequate in the context of expected future cash flows based on best estimate assumptions plus a risk margin. Our work on the LAT includes evaluating the reasonableness of the projected cash flows and challenging the assumptions adopted, including mortality, longevity, expenses and lapses, discount curves and the determination of fair value of the mortgage and loan portfolio valued at amortised cost basis, based on Company's and industry experience data, expected market developments and trends. Regarding the fair value of the mortgage and loan portfolio, this included re-performance of valuations on a sample basis as mentioned in "Fair value measurement of investments and related disclosures". Other key audit procedures included evaluating the Company's methodology for calculating the insurance liabilities and an evaluation of the design of internal controls in this respect. We considered the analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Company, our understanding of developments in the business and our expectations derived from market experience. Furthermore, we inspected the full indemnity longevity reinsurance contracts and compliance of its treatment with IFRS-EU. We have assessed the reasonableness of the expected cash flows and related impact on the risk margin included in the LAT in respect of this contract by reference to the projected cash flows on the underlying insurance contracts and the longevity reinsurance contracts. We evaluated SRLEV's disclosures in relation to insurance liabilities and LAT results in accordance with IFRS 4 'Insurance contracts'.
Key observations	We consider the estimates used in the calculation of insurance liabilities and in the IFRS LAT to be within a reasonable range. The disclosures of insurance contract and LAT results meet the requirements of IFRS-EU.

Unit-Linked Exposure	
Risk	Holders of unit-linked products (where the customer bears all or part of the investment risk), or consumer protection organizations on their behalf, have filed claims or initiated proceedings against the Company and may continue to do so. A outcome of such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could have a significant impact for SRLEV relating to

Unit-Linked Exposure	
	compensation. The financial consequences of these legal proceedings cannot be reliably estimated at this point. Refer to note 19 under 'Legal Proceedings' to the financial statements. Due to the high level of judgment and the significance of potential impact, we consider this a key audit matter.
Our audit approach	Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to the Unit-Linked exposure in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. We performed audit procedures in this area, which included: • evaluation of SRLEV's governance, processes and internal controls with respect to unit-linked exposures • review of the documentation and discussing the unit-linked exposures with management and the Company's internal legal advisors • obtaining a legal letter from SRLEV's external legal advisor • involving our own legal experts in the assessment of the documentation and developments regarding the unit-linked exposure We also considered whether the Company's disclosures in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in the financial statements.
Key observations	Management's assessment that the financial consequences of the unit-linked exposure cannot be reliably estimated at this time and therefore no provision is recognized in the 2020 financial statements, is adequately substantiated. The related disclosure meets the requirements of IFRS-EU.

Reliability and continuity of the information technology and systems	
Risk	SRLEV is highly dependent on its IT systems and IT infrastructure for the continuity of the operations and preparation of its annual accounts. SRLEV continues to invest in its IT systems and IT infrastructure and processes to meet clients' needs and business requirements. SRLEV is continuously improving the efficiency and effectiveness of its IT systems and IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks. As part of the Covid-19 pandemic there is a larger (inherent) risk on cyber incidents. Taking into account the significance of the IT systems and IT infrastructure for SRLEV's process of preparation of annual accounts, we considered this a key audit matter with respect to potential impact it can have on the financial statements and continuity of processes and effectiveness of internal controls in processes relevant to reporting.
Our audit approach	As part of our audit procedures we have assessed the changes in the IT systems and IT infrastructure and have tested the reliability and continuity of electronic data processing within

Reliability and continuity of the information technology and systems	
	the scope of the audit of the annual accounts. For that purpose we have included IT auditors in our team. Our procedures included evaluating the design and testing operating effectiveness of controls with regards to IT systems and processes relevant for financial reporting as well as additional (substantive) procedures if deemed necessary. In response to the (inherent) increased frequency and severity of cyber incidents and heightened concerns from regulators and other stakeholders about cybersecurity attacks and breaches, we have evaluated cybersecurity risks as part of our annual audit procedures. Our main focus during this audit was to gain an understanding of the cybersecurity risks at SRLEV and the actions taken by the Company to address these risks.
Key observations	Based on the combination of the tests of controls and IT substantive procedures, we obtained sufficient appropriate audit evidence for the purposes of our audit. While our audit was not aimed at making a statement about the cybersecurity of SRLEV, based on our procedures performed with regards to cybersecurity, no significant risks have been identified impacting our financial statement audit.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Board report including Overview, Organization, Strategy and Developments and Corporate Governance, excluding the report of the supervisory board
- Report of the supervisory board
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Additional information

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the supervisory board as auditor of SRLEV N.V. on 29 October 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the executive board and the supervisory board for the financial statements
The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the executive board is responsible for such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Our audit approach' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication
We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit

committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 24 March 2021

Ernst & Young Accountants LLP

Signed by A. Snaak

ADDITIONAL INFORMATION

1 PRINCIPLES UNDERLYING/NON-UNDERLYING RESULT

- Definition and usefulness of Net Underlying Result (NUR):

Net result IFRS of SRLEV has a high volatility as result of the valuation of all assets and liabilities on a fair value basis. In the NUR major fair value movements as result of market developments and parameter changes have been eliminated from IFRS-result. SRLEV believes that the NUR provides useful information to stakeholders and investors which results in greater comparability of results with peers and that it enhances their understanding on the financial impact of management decisions (e.g., re-risking of investments, additional cost-savings). The NUR should be viewed as complementary to, and not as a substitute for net result IFRS.

- Limitations of the usefulness Net Underlying Result:

The large difference between net result IFRS and NUR is driven by a number of items.

Besides the result of new business the NUR also includes realisation of interest and technical results on the existing (old) business portfolio. As SRLEV values virtually all of its assets and liabilities on a fair value basis, these specific results are already included within Equity. Reported results on existing (old) portfolio in NUR are reversed in net result IFRS by means of a change in the LAT shortfall. The NUR is therefore not a full reflection of economic value added.

The increase in NUR is partly driven by the interest income on derivatives that will balance out when these instruments mature. This impact is offset by the fair value of technical provisions (LAT shortfall) in the net result IFRS, whilst any changes in LAT shortfall have been excluded from the net underlying result. This therefore increases the difference between NUR and net result IFRS.

Given the complexity in valuation of derivatives it is not possible to fully eliminate all fair value movements from NUR. This could lead to distortion in comparability of figures between different periods. In addition to the impact of additional investment income from derivatives the increase of the NUR was also supported by ongoing re-risking activities, lower costs and lower interest expenses.